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UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

This volume is a compilation of Section 337 law and precedent culled from final written opinions of the United States International Trade Commission and its Administrative Law Judges. It is presented with the hope that it will serve as a useful research guide to government attorneys and private practitioners alike as well as to all students of international trade law and unfair trade practices.

The contents are selected primarily from the Recommended Determinations of the Administrative Law Judges and the deciding, dissenting and concurring opinions of the Commission issued since the Trade Act of 1974. The volume is indexed by subject matter headings reflecting principal and recurring issues in Section 337 investigations. Within each heading, cited items are listed in numerical order according to the case number of the investigations from which the excerpts are taken. Other sources cited are drawn merely from research projects completed in this office and are not intended to indicate necessarily primary sources or views of the Administrative Law Judges concerning any issues.

A research project of this magnitude cannot be completed without significant effort by a number of people. The Compendium was prepared principally by Denise T. DiPersio, John H. Slayton and Kathleen T. Weaver under the supervision of Joel R. Junker, Esq. and O. Russ Pirfo, Esq. The demanding duty of typing and assembling the original manuscript was ably performed by Hazel Virtenia Pinkett with the aid of Mary A. Abbott and Helen M. Delmenhorst.

Finally, the Office of Administrative Law Judges would like to thank the Commission for providing the support and resources necessary for the completion of this project.

Donald K. Duvall

Donald K. Duvall
Chief Administrative Law Judge

COMPENDIUM

OF

SECTION 337 DECISIONS

Prepared By

Office of the Administrative Law Judges

United States International Trade Commission

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337-TA-64 - Certain High-Voltage Circuit Interrupters and Components Thereof (Suspended pending PTO and judicial decision)

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337-TA-70 - Certain Coat Hanger Rings

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337-TA-73 - Tire Changers (Withdrawn)

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337-TA-84 - Chlorofluorohydrocarbon Drycleaning Process Machines and Components Therefor

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337-TA-88 - Certain Spring Assemblies and Components Thereof, and Methods of their Manufacture

337-TA-89 - Certain Apparatus for the Continuous Production of Copper Rod

337-TA-90 - Certain Airless Paint Spray Pumps and Components Thereof

337-TA-91 - Certain Mass Flow Devices and Components Thereof

337-TA-92 - Certain Airtight Wood Stoves

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337-TA-95 - Certain Surface Grinding Machines and Literature For The Promotion Thereof

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337-TA-97 - Certain Steel Rod Treating Apparatus and Components Thereof

337-TA-98 - Certain Screw Jacks and Components Thereof, Including Cold-Worked Pinion Gears

337-TA-99 - Certain Molded-In Sandwich Panel Inserts and Methods For Their Installation

337-TA-100 - Certain Thermal Conductivity Sensing Gem Testers and Components Thereof

337-TA-101 - Certain Hot Air Corn Poppers and Components Thereof

337-TA-102 - Certain Wheel Locks and Components Thereof

337-TA-103 - Certain Stabilized Hull Units and Components Thereof and Sonar Units Utilizing said Stabilized Hull Units

337-TA-104 - Certain Card Data Imprinters and Components Thereof

337-TA-106 - Certain Coin-Operated Audiovisual Games and Components Thereof (viz. Rally-X and Pac Man)

337-TA-107 - Certain Ultrafiltration Membrane Systems and Components Thereof, Including Ultrafiltration Membranes

100. Substantive Elements

TA-43 Trash Pumps CD

In order to determine that a violation of §337 exists, all five of these questions must be answered in the affirmative:

1. Is complainant's patent valid?
2. Do respondents' pumps infringe the patent claims?
3. Are respondents' pumps imported and sold in the United States?
4. Does the importation and sale of respondents' pumps have the effect or tendency to destroy or substantially injure complainant's industry?
5. Is complainant's industry an efficiently and economically operated domestic industry?

A negative answer to any one of these questions will require a finding that no §337 violation exists.

CD at 9

101. Unfair Methods of Competition

An overview of some types of activity the Commission has indicated would be an unfair act:

1. Trademark infringement (*Reclosable Plastic Bags*, 337-TA-22);
2. Copyright infringement (though no decision on this yet);
3. Price fixing (*Watch Parts*);
4. Group boycotts (*Tractor Parts*);
5. Deceptive Pricing (*Convertible Game Tables*);
6. Combination and conspiracy to restrain and monopolize trade (*Chicory Root*, 337-TA-27);
7. Misrepresentation of the country of origin of the goods (*Ceramic Wall Tile*);
8. An attempt to monopolize (*Chicory Root*, 337-TA-27);
9. A refusal to deal (*Electronic Audio Equipment*, 337-TA-7);
10. Predatory Pricing (*Chicory Root*, 337-TA-27);
11. Violations of certain antitrust laws, §1 and §2 of Sherman Act, §5 of FTC Act) (*Chicory Root*, 337-TA-27);
12. Trade secret misappropriation (*Dot Matrix Printer*, 337-TA-32).

Note:

In the above list, while reports indicated the particular act(s) could or would constitute an unfair act, in many of the cases such an act was not found to have occurred.

Source: Harvey Kaye, "Unfair Practices," *ITC Patent Practice* E-5-7 (ed. W. Herrington 1979).

TA-2 Convertible Games Tables CD

"[R]espondent, through its wholly owned subsidiary, engaged in the deceptive trade practice of advertising a fictitious regular price for the imported tables."

CD at 19

Three prices were advertised on one day in different retail outlets in Chicago, indicating that none of the prices were bona fide.

"We find that each such advertisement...was calculated to deceive the purchaser by leaving him with the impression that he was getting a real bargain, that is, that he was acquiring an article at a significantly lower price than its regular price, whereas in fact he was not.

Such deceptive pricing of imported tables is determined herein to constitute an unfair practice under §337."

CD at 20

Although the Commission concluded the deceptive pricing practice constituted an unfair practice within the jurisdiction of §337, it issued the exclusion order on the basis of patent infringement, which is a more complete and effective remedy that applies in rem to all unlicensed imports of the patented products.

TA-4 PTFE Tape RD

"The injury requirement is separate and distinct from the 'unfair act' requirement and requires an independent proof. In-the-Ear Hearing Aids, Tariff Commission Pub. No. 187 (July 1966). Sphygmomanometers Tariff Commission Pub. No. 468 (January 1972)."

RD at 17

"Patent infringement is an unfair method of competition and unfair act as 'unfair methods of competition and unfair acts' are defined in §337...."

RD at 20

TA-22 Plastic Bags CD

The unlicensed importation and/or sale of a product which is protected by a domestic patent is considered an unfair method of competition or unfair act under §337.

Trademark infringement was also stated to be an unfair act under the statute.

CD at 6

TA-27 Chicory Root RD

"The alleged, attempted, unlawful merger of [respondent] and [complainant's predecessor] did not succeed. Indeed, it appears that [respondent] had a role in preventing the unlawful merger. The merger attempt is therefore not material, except as the Commission may infer unlawful intent from it."

RD at 17

TA-27 Chicory Root CD

"It is our view that §337 applies to both continuing and past unfair methods of competition and unfair acts.... The fact that an alleged unfair method or act has ceased is not in and of itself dispositive of the issue of whether there is reason to believe that there is a violation of §337. The fact that the unfair method or act has ceased is relevant to the question of whether there is need for temporary relief."

CD at 11

TA-29 Steel Tubes CD

"The breadth of the meaning of the phrase 'unfair methods of competition' in §5 of the FTC Act has been left to that agency to define from its regulatory experience. See FTC v. Motion Picture Advertising Service Co., Inc., 344 U.S. 392 (1953). The phrase as used in §337 could well encompass the experience of the FTC with §5. See generally In re Von Clemm, 299 F.2d 441 (1955).

CD at 38 FN 1

5

TA-33 Sonar Light Shields RD

"To prevail in a proceeding of this type under §337, the complainant must establish an unfair act in the importation of articles into the U. S., an injury flowing from the act, and that complainant's business is an efficiently and economically run domestic industry. The statute clearly requires all elements to be present. Patent infringement alone cannot be the basis of a violation of §337 any more than economic injury."

RD at 3

"This is not a patent court whose function is to pass on validity or infringement of U.S. Letters Patent wherever possible. Rather, this is an international trade court. Here patent issues are only part of our inquiry, and even in the case of a valid patent blatantly infringed, the presence of injury to an industry economically and efficiently operated must also be established."

RD at 3

TA-35 Golf Balls RD

Test results on the golf balls showed that only one of the patent claims was infringed. However, "a patent is infringed even if only one claim of the patent is infringed."

See Pitcarin v. U.S. (Ct. Cl. 1975), 188 USPQ 35, 43.

RD at 4

See also Perkins Oil Well Cementing Co. v. Owen, 293 F. 455, 459 (S. D. Cal. 1923).

TA-44 Roller Units RD

"In determining the scope of the unfair acts shown and the extent of the injury to or tendency to injure the domestic industry resulting therefrom, if any, the effects of similar unfair acts by both non-respondents and respondents may be considered, given the in rem nature of this proceeding."

RD at 32

See Reclosable Plastic Bags, 337-TA-22 at 14, Chain Door Locks, 337-TA-5 at 39, and PTFE Tape, 337-TA-4 at 18.

TA-55 Novelty Glasses CD

"The terms 'unfair methods of competition' and 'unfair acts' have been held to have a broad and inclusive meaning. Given this interpretation, §337 is broad enough to include the unfair methods of competition and unfair acts alleged and included within the scope of this investigation, if proven. These methods or acts are unlawful copying of trade dress, infringement of common law trademarks, and false designation of origin. Courts and the Federal Trade Commission have considered such acts as unfair under the law of unfair competition. This Commission has also considered unlawful copying of trade dress to fall within the scope of §337." See Certain Steel Toy Vechicles, 337-TA-31.

CD at 6

BEST DOCUMENT AVAILABLE

TA-45 Combination Locks CD

At the December 1 hearing, complainant questioned the enforceability of the affidavits of respondents and three nonparty importers not to import. Complainant asserted that the four firms remain "willing importers" and that there is no assurance that they will abide by their affidavits. The Commission has relied in numerous previous patent cases on such assurances. If the affiants abrogate their agreements and resume importing attache cases bearing infringing locks, complainant may subsequently bring this fact to the Commission's attention, and the Commission will take such action as it deems necessary at that time. However, the question is moot in the case because the effect or tendency of the unfair acts is not to substantially injure even in the absence of the affidavits.

CD at 12-13

TA-57 Cattle Whips RD

"Discontinuance of a practice alone is not a defense under §337 of the Tariff Act of 1930 as amended, and past unfair acts as well as potential future unfair acts can be considered in determining whether an unfair act (or unfair methods of competition) exists under §337. If discontinuance of the practice is allowed as a defense, this could result in requiring the Commission to bring the same proceeding again and relitigate all the same issues, if the practice is resumed by respondents."

RD at 3

TA-62 Rotary Scraping Tools

The unfair trade practices alleged are infringement of the '294 patent and misleading packaging and/or deceptive advertising of the imported rotary scrapers, including the simulation of complainant's trade dress. Any one of these allegations, if true, constitutes an unfair trade practice within the meaning of §337. See In Re Von Clemm, 229 F.2d 441 (C.C.P.A. 1955); In Re Northern Pigment Co., 71 F.2d 447 (C.C.P.A. 1934).

RD at 12

TA-69 Cast-Iron Stoves RD

False advertising is a deceptive practice, and it is not part of the law of trademarks. The Commission can look at the advertising in issue, consider the evidence in the record that would aid it in interpreting the advertising, and decide for itself whether the advertising is unfair as deceptive. Zenith Radio Corp. v. FTC, 143 F.2d 29, 31 (7th Cir. 1944). Surveys to show consumer confusion are not necessary to prove false advertising.

RD at 14

TA-69 Cast-Iron Stoves CD

In order to show false and deceptive advertising, the complainant need not show that consumer confusion has occurred, but only that the acts are unfair or deceptive. See Zenith Radio Corp. v. FTC, 143 F.2d 29 (7th Cir. 1944). The ALJ found that several of the respondents had described the stoves imported from Taiwan as Scandinavian or had suggested a Scandinavian origin and that such acts were false and deceptive. The ALJ also found that some respondents' advertising that represents stoves copies as identical to Jotul Stoves was false and deceptive. We adopt the ALJ's findings.

CD at 5

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101.1 Patent Infringement

TA-2 Convertible Game Tables CD

"The Commission has long held that the unlicensed importation of a product which is patented in the United States is an unfair method of competition and unfair act within the meaning of §337. See In re Von Clemm, 43 C.C.P.A. (Customs) 56, 229 F.2d 441, 443 (1955); In re Orian Co., 22 C.C.P.A. (Customs) 149, 71 F.2d 458, 465 (1934); In re Northern Pigment Co., 22 C.C.P.A. (Customs) 166, 71 F.2d 447, 455, (1934); and Frischer & Co. v. Bakelite Corp., 17 C.C.P.A. (Customs) 494, 39 F.2d 247, 260, cert. denied, 282 U.S. 852 (1930). See Electronic Pianos, 337-TA-1, at 37; see also U.S. Tariff Commission, Pantyhose, TC Publication 471, 1972; Lightweight Luggage, TC Publication 463, 1972; and Articles Comprised of Plastic Sheets Having an Openwork Structure, TC Publication 444, 1971.

CD at 15

Although the Commission found deceptive pricing practices constituting an unfair practice within the jurisdiction of §337, it issued the exclusion order on the basis of patent infringement, which is a more complete and effective remedy that applies in rem to all unlicensed imports of the patented products. See Unfair Practices.

TA-4 PTFE Tape RD

"Only if complainant alleges and proves substantial injury or tendency to substantially injure will the Commission grant relief under the Act. 'It must be remembered that §337 is not an extension of the patent laws and is not designed to protect rights as such.' In-the-Hearing Aids, at 28."

RD at 17

(Cont'd)

"Patent infringement is an unfair method of competition and unfair act as 'unfair methods of competition and unfair acts' are defined in §337...."

RD at 20

TA-18 Monolithic Catalytic Converters RD

"The Commission may consider the validity and enforceability of the patent solely for the purpose of §337."

RD at 7

"The Court, in Frischer & Co. v. Bakelite Corp. 39 F.2d 247, said:

> The United States Tariff Commission is, as we noted, merely an administrative, fact-finding body. It has non-judicial powers. The right to pass upon the validity of a patent which has been issued by the Patent Office is a right possessed by the courts of the United States given jurisdiction thereof by law."

RD at 7

"Although the Commission lacks the jurisdiction to determine the validity of a patent per se, it does possess the authority to consider the validity and enforceability of a patent for the purpose of determining the existence of an unfair act under §337."

RD at 8

(Cont'd)

[redacted]

Legislative history shows the above - S. Rep 93-1298, 93d Cong., 2d Sess. (1974) at 196:

The Commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purposes of determining whether §337 is being violated. The relief provided for violations of §337 is in addition to that granted in any other provisions of law. The criteria of §337 differ in a number of respects from other statutory provisions for relief against unfair trade practices. For example, in patent-based cases, the Commission considers, for its own purposes under §337, the status of imports with respect to the claims of U.S. patents. The Commission findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts."

RD at 9

TA-20	Bismuth Molybdate Catalysts	RD

"Section 337 is not per se a legal remedy existing solely or even primarily for the purpose of testing the validity of patents. Jurisdiction for such litigation is reposed primarily in the U.S. District Courts. §337 exists primarily as a legal remedy and forum for determining whether or not unfair trade practices exist in the importation and sale in the United States of articles which unduly and adversely affect U.S. industries, etc., of which alleged patent infringement is only one of several. It does not exist primarily for the purpose of striking down invalid or declaring valid U.S. patents, irrespective of the extent to which such endeavor might be in the public interest. The doctrines of res judicata and collateral estoppel are not generally applicable to its patent related decisions concerning validity."

RD at 5

TA-25 Certain Above Ground Swimming Pools CD

(Supplemental Views of Minchew and Moore)

Since the Trade Act of 1974 has specifically authorized the U.S. ITC to decide issues of validity, §337(c) was amended to state "all legal and equitable defenses may be presented in all cases." Since the obvious defense in patent infringement cases is ivalidity, the issue of invalidity is squarely presented to the Commission for determination and review. And in view of the fact that the U.S. Supreme Court, in Sinclair & Canal Co., Inc. v. Interchemical Corp., 325 U.S. 327 (1945), urged courts with appropriate jurisdiction to decide issues of validity even after findings of non-infringement, we believe that generally the Commission should consider the question of validity whenever such question is presented to it in the form of a legal defense by a respondent, and particularly in this case, where the Presiding Officer found the '917 patent valid. The responsibility to exercise our authority regarding patent issues of validity is made more certain by the following language in the report of the Senate Finance Committee:

> ...the public policy and the ultimate issue of the fairness of competition raised by §337, necessitate that the Commission review the validity and enforceability of patents, for the purpose of §337, in accordance with contemporary legal standards when such issues are raised and are adequately supported. S. Rept. No. 93-1298 at 196.

CD at 16

Patentabiliy is dependent upon three express statutory provisions: novelty and utility as articulated and defined in 35 U.S.C. 101 and 102, and nonobviousness as set out in 35 U.S.C. 103. Graham v. John Deere Co., 383 U.S. 1 (1965).

(Cont'd)

[redacted]

TA-25 Above Ground Swimming Pools CD

The application of 35 U.S.C. 103 is a four-step process:

(1). the scope and content of the prior art are determined;

(2). the differences between the prior art and the claims at issue are ascertained;

(3). the level of ordinary skill in the pertinent art is resolved; and

(4). against this background, the obviousness or nonobviousness of the subject matter is ascertained. Graham v. John Deere Co., 383 U.S. 1 (1956).

CD at 23

TA-26 Solder Removal Wicks RD

The complaint alleged patent infringement and, in addition, passing off, false labelling as having a registered trademark when not having one, and false advertising by using the words "patent applied for" and "patent pending." The ALJ agreed with complainant that the acts of passing off, false labelling, and false advertising were unfair acts.

RD at 38, 45

TA-31 Steel Toy Vehicles RD

There was no indication in the brand confusion surveys that the ordinary purchaser or "observer" was confused by the similarity of the designs. It is this similarity in the "eye of the ordinary observer" that is the standard for establishing infringement of a design patent. Gorham v. White, 81 U.S. 511, 528 (1871).

RD at 38

TA-39 Luggage RD

The ALJ determined that the fact respondent had applied the patented pillar design on both sides of the luggage (rather than only one side as complainant had done) was insufficient to distinguish the luggage to the ordinary buyer since the ordinary purchaser would normally see only one side at a time.

"It is well settled that one cannot escape infringement by merely adding features if his products otherwise adopt the basic features of the patent." Acme Highway Product Corp. v. The D.S. Brown Co., 473 F.2d 849, 855 (6th Cir. 1973) cert. denied, 414 U.S. 824 (1973).

RD at 42

TA-39 Luggage CD

The standard for determining whether a design patent is infringed is the ordinary observer. The Supreme Court set forth this test in Gorham Co. v. White, 81 U.S. 511, 528 (1871):

> "If, in the eye of the ordinary observer giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other."

CD at 9

TA-43 Trash Pumps RD

"To prove infringement of a patent claim it must be shown that the alleged infringing device is either covered by the literal language of the claim or that, if there is no literal infringement, infringement will result when the doctrine of equivalents is properly applied. *Graver Tank & Mfg. Co.* v. *Linde Air Product Co.*, 339 U.S. 605 (1950)."

RD at 43

TA-44 Roller Units RD

Infringement of the patent was found even though no sample of the roller unit imported or sold by respondents was in evidence. Finding of infringement was based on an affidavit by respondent's president stating respondent did import units of the same type shown in a drawing of the patented unit that he examined. This conclusion was corroborated by an affidavit of an employee of complainant.

RD at 30

[redacted]

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101.2 Price Fixing

TA-27 Chicory Root RD

"There is insufficient evidence to find that [respondents] are fixing prices for R&G chicory. The prices of [respondents] are not the same. Even though the prices of [respondents] are occasionally close, small differences of price in the United States R&G chicory market are determinative and therefore close pricing does not necessarily suggest price leadership or price fixing."

RD at 15

TA-27 Chicory Root CD
(on temporary relief)

Price fixing and the exchange of price information with the purpose of fixing prices has long been recognized as one of those sets of practices "which because of their pernicious effect on competition and lack of any redeeming virtue are conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use." *Northern Pacific R. Co.* v. *United States*, 356 U.S. 1,5 (1958). Even absent an explicit agreement to fix prices, an exchange of price information for the purpose and with the effect of maintaining a parallelism of price is a *per se* violation of the Sherman Act. *United States* v. *Container Corp. of America*, 393 U.S. 333 (1969).

CD at 13-14

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101.3 Passing Off

TA-22 Plastic Bags RD

There is an unfair method or act, within the meaning of §337, insofar as the trademark count in the investigation is concerned:

a. Trademark '120 is presumed to be valid as a consequence of complainant Minigrip's successful registration thereof. 15 U.S.C. §1057(b). The burden of rebutting this statutory presumption rests on the party attacking the mark or its registration.

b. Trademark '120 is not rendered invalid merely because the registration does not call for the stripe to appear in one specific color.

c. The primary function of trademark '120 is to identify Minigrip bags as originating from the Minigrip plant in Orangebury, New York, and is not to decorate or ornament the bags.

d. Trademark '120 does not possess any functional ability--in the sense that the trademark is necessary for the use of the bags which bear the mark--and therefore the trademark is not invalid for that reason.

e. During the period prior to Flexigrip's first trademark application, Flexigrip's use of a color line as a distinctive mark predated Talon's similar use, and therefore complainant has established priority of actual use.

f. Minigrip has sufficiently monitored the quality and nature of its trademark licensees' bags such that the actual practice under the licensing agreements does not render trademark '120 invalid or unenforceable. 15 U.S.C. §1055, §1127.

RD at 57

TA-22 Plastic Bags CD

The Commission indicated that trademark infringement could be an unfair act under §337, but found that there was none in this particular case.

TA-31 Steel Toy Vehicles RD

Passing off has its source in the common law of unfair competition, which is described as follows: "It was considered unfair and unethical to take business away from a competitor by passing off one's goods as the goods of a competitor. This ethical reaction has become firmly entrenched as a rule of law." (J. Thomas McCarthy, Trademarks and Unfair Competition, §2:4, p. 47). This common law principle has been codified in 15 U.S.C. 1125(a) as part of a federal trademark law (Time Mechanism, Inc. v. Qonaar Corp, 422 F. Supp 905 (D.C. N.J. 1976); L & L White Metal Casting Corp v. Joseph, 387 F. Supp 1349 (E.D.N.Y. 1975)), also known as §43(a) of the Lanham Act. Consequently, the principles of trademark law are equally applicable to the common law of unfair competition although unfair competition is a broader tort. National Automobile Club v. National Auto Club, 180 USPQ 777 (S.D.N.Y. 1973); Walter Gremlin Co., v. Ideal Fishing Co. Inc., 188 USPQ 388 (D.C. N.M. 1975)). At times, therefore, reference can appropriately be made to trademark cases in defining the elements of passing off."

RD at 39

The essence of a "passing off" claim must include proof that:

1. the design features for which protection are sought are primarily non-functional;
2. the design features have acquired a secondary meaning and are associated by the consuming public with complainant as the source of the product; and

(cont'd)

3. there exists the likelihood of respondent's allegedly imitative products being confused by the public with complainant's products and of the public believing the complainant is the producer of respondent's products.

RD at 40

Before undertaking an analysis of these elements, it should be noted that two 1964 decisions of the Supreme Court, *Sears, Roebuck & Co.*, v. *Stiffel Co.*, 376 U.S. 225, 140 USPQ 524 (1964) and *Compco Corp.* v. *Day-Brite Lighting Inc.*, 376 U.S. 234, 140 USPQ 528 (1964) contained language which, if broadly interpreted, questions the constitutionality of a significant portion of federal trademark law. Both *Sears* and *Compco* dealt with the supremacy clause of the Constitution and whether state law could extend the effective term of patent protection granted by federal statutes. In holding that federal patent laws preempt state causes of action for unfair competition based upon the alleged copying of unpatented articles, Justice Black stated in *Compco* at 238, "But if the design is not entitled to a design patent or other federal statutory protection, then it can be copied at will." Subsequently, courts have refused to interpret this language to limit or prevent a federal cause of action for unfair competition under the trademark laws, finding instead the phrase "other statutory protection" to permit specifically such causes of action. *Electric Storage Battery Co.*, v. *Mine Safety Applicances Co.*, 143 USPQ 163 (T.T.A.B. 1964). The Presiding Officer agrees with such interpretations. To find otherwise would in effect be to declare parts of the Lanham Act unconstitutional, and to hold that the patent clause of the Constitution supersedes the commerce clause and congressional effort thereunder to control commercial exploitation of designs in the public domain--results surely beyond the contemplation of the Court at that time. Further, the patent and trademark laws have separate purposes and comingling them in seeking to define causes of action under each adds an unnecessary

(cont'd)

element of confusion. This separation was clearly noted by Judge Smith in In re Mogen David Wine Corp., 372 F.2d 539, 545, 152 USPQ 593, 598 (C.C.P.A. 1967):

> "It seems to be that there is a public interest in trademark manifested in the prevention of confusion, mistake, and deception in the sale of goods. Congress has provided by authority of the commerce clause of the Constitution for federal recognition of this public interest when its existence has been proven.... [The] Supreme Court in Sears and Compco in expressly relying on the federal policy underlying patents, would require and must yet face the task, should it arise, of also considering the federal policy underlying trademarks."

RD at 41

TA-31 Steel Toy Vehicles CD

In order for Tonka to have carried its burden of proving that Buddy-L passed off or attempted to pass off its vehicles as those of Tonka, Tonka had to prove the following:

(1) that the designs of the Tonka steel toy vehicles were primarily "non-functional." (The purpose of the non-functionality requirement is to permit unrestricted competition between unpatented functional products. The law of passing off grants protection only where arbitrary, non-functional features are involved. Where competition in the underlying product--steel toy vehicles--can be undertaken without necessarily adopting the competitor's non-functional designs, the law can grant protection to such designs. If a design feature, on the other hand, contributes only to utility, durability, or effectiveness of a product or the ease with which it serves its function, it cannot be non-functional. Filter Dynamics International v. Aston Battery Inc., 183 USPQ 102, 109);

(cont'd)

(2) that the design features of the Tonka toy vehicles had, in fact, acquired "secondary meaning" by becoming uniquely associated by the consuming public with the complainant as the sole source of toy vehicles having those designs. (Rolls-Royce Motors Ltd. v. A & A Fiberglass, Inc., 428 F. Supp 689, 193 USPQ 35 at 45 (N.D. Ga. 1977); and

(3) that there is a likelihood of confusion in the mind of the consuming public.

CD at 28

TA-31 Steel Toy Vehicles CD

The 8th Circuit, in one of the leading cases in this field, Truck Equipment, Service Co. v. Fruehauf Corp., clearly supports this conclusion: where a shape or feature of construction is in its concept arbitrary, is may be or become a legally recognizable trademark because there is no public interest to be protected. In such a case, protection would not be lost merely because the shape or feature also serves a useful purpose. J.C. Penney Co. v. H. D. Lee Mercantile Co., 120 F.2d 949 (8th Cir. 1941).

CD at 28

It is the degree of arbitrariness of the construction which underlies the requirement of non-functionality.

CD at 29

TA-55 Novelty Glasses CD

It is not unfair *per se* to copy a competitor's packaging or design features. The unfairness arises when a competitor adopts a trade dress which is already being used successfully by another competitor, and when that simulation is likely to cause confusion among buyers, who associate the trade dress with the earlier user. In order to receive protection against another using the same or confusingly similar trade dress, three elements must be shown:

(1) the trade dress must include non-functional design features;

(2) the trade dress and its packaging must have acquired secondary meaning within the public's mind; and

(3) there must be a likelihood that the consumer will be confused as to the source of the product which copies the trade dress of the senior user who seeks protection. *See* 15 U.S.C. 1125(a).

CD at 6-7

The key element involved in this case is the recognition factor--whether a design feature has achieved such recognition in the mind of the consuming public that the products bearing such a design feature will be recognized as coming from a single source. This recognition factor is known as "secondary meaning."

(Dissenting Opinion of Chairman Parker)

CD at 2

TA-55 Novelty Glasses CD

While Parker would have held that the proof of secondary meaning was lacking, the majority of the Commission found evidence that this element was present: "While some courts have denied relief where no actual showing of secondary meaning was made, other courts have also looked at the behavior of the junior competitor and have relied in part on a presumption of secondary meaning raised by a showing of deliberate and close imitation of the senior user's trade dress, particularly where that trade dress was distinctive."

The majority went on to state that the fact that

(1) these glasses have been on the market for that period of time;

(2) such a level of sales has been achieved; and

(3) they have distinctive characteristics calculated to attract users

"leads us to the conclusion that the buying public associates the trade dress of these novelty items with products from a single source."

CD at 8-10

TA-59 Pump Top Containers CD

Because of the Commission's finding of patent infringement, it did not reach the allegation of unlawful copying of trade dress. Commissioners Alberger and Stern noted that they would not find unlawful misappropriation of trade dress because the three requisite elements described in Novelty Glasses, 337-TA-55, were not present. In particular, there was not the compelling showing of secondary meaning, i.e., a strong showing of several factors including length of time on the market, the amount of advertising, and consumer surveys. The more distinctive a particular design is, the more rapidly it is liable to acquire secondary meaning. Also, there was no actual evidence of deliberate copying here, which many courts have held to be a sufficient basis for establishing at least a presumption of secondary meaning. See E.R. Squibb & Sons, Inc., v. Premo Pharmaceutial Labs, Inc., 195 USPQ 545 (S.D. N.Y. 1977); Scholl Inc. v. Tops E.H.R. Corp., 185 USPQ 754 (D.C. N.Y. 1975).

CD at 6

TA-62 Rotary Scraping Tools CD

In Additional Views to the Commission Decision (given by Alberger and Stern) regarding misleading packaging and/or deceptive advertising (including simulation of trade dress), it was noted that the record was insufficient to establish a violation by misleading advertising. The record was unclear as to:

(1) whether the imports were pursuant to a license agreement;

(2) finding no likelihood of confusion of imports with domestic goods;

(3) reliable indication that the label on the imports was false; and

(4) no record physical samples of the products for comparison purposes.

Additional Views at 1-3

TA-68 Surveying Devices RD

The requirement of non-functionability is concerned with whether the shape or feature in question has any purpose besides the identification of the product. To extend legal protection to functional features of a product, such as those which have utility value or contribute to economy of manufacture, would conflict with the objective of federal patent law to provide exclusive protection to functional (new and useful) inventions for a limited period of time. 1 McCarthy, Trademark and Unfair Competition §7.26; Rolls-Royce Motors, Ltd. v. A & A Fiberglass, Inc., 428 F.2d 689, 135 USPQ 35 (1977).

RD at 34

To prove passing off... [i]t must be shown that the trademark, design, shape, or overall appearance of the product sought to be protected: (1) is inherently distinctive or has a secondary meaning (i.e. has become distinctive in the minds of the buying public); and (2) is non-functional (i.e., is outside the scope of and therefore not in conflict with or protectable by the patent laws). See Application of Deister Concentrator Co., 289 F.2d 496, 502-03 (C.C.P.A. 1961); Rolls-Royce Motors, Ltd. v. A & A Fiberglass, Inc., 428 F. Supp. 689 (1977); Certain Steel Toys, 337-TA-31, USITC Pub. 880, April 1978 at 27-28. Thus, in effect, there are a total of three tests which must be proved: (1) likelihood of confusion; (2) inherently distinctive or secondary meaning; and (3) non-functionability.

CD at 28

TA-69 Cast-Iron Stoves RD

To prove that one has passed off a product as the product of another, it is necessary to show that the prospective customer was led to believe that he was buying the product of another. Merely copying the product is not an unlawful practice. It is not enough to show that one company has made an almost identical copy of another company's product, and that the public is confused by the similarity of the products. In Sears Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964), the Supreme Court held that state law may not prohibit copying an article which is unprotected by a trademark or patent. The "mere inability to tell two identical articles apart is not enough to support an injunction against copying . . . that which the federal patent laws permit to be copied." 376 U.S. at 234.

RD at 11

To prove passing off, all the elements of common law trademark misappropriation need not be proved. Even though a product is not protected by a common law trademark or patent, the company making the copy can be required to label the product in such a way to prevent deception or the company can be prohibited from misleading the customer. If, however, the company whose product is copied has a common law trademark or a registered trademark, misappropriation of the trademark also can constitute passing off.

The essential element of passing off is that one engages in an act, beyond merely copying the product of another, which leads the prospective customer to believe that he is buying the product of another. The act must involve actual or potential deception. Passing off is not the same practice as misrepresentation of the country of origin.

RD at 12

[redacted]

TA-69 Cast-Iron Stoves CD

To show passing off a complainant must show that the prospective customer was led to believe that he was buying the product of another. Passing off has been prohibited in domestic commerce through Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a), which prohibits false designations of origin and false descriptions of goods and services. See SK&F. Co. v. Premo Pharmceutical Laboratories, Inc., 625 F.2d 1055 (3rd Cir. 1980). Passing off is also prohibited by Section 5 of the Federal Trade Commission Act (15 U.S.C. 45). See FTC v. Real Products Corp., 90 F.2d 617 (2d Cir. 1937). Although the Commission does not necessarily adopt the analogous case law on passing off under the Lanham Act or the Federal Trade Commission Act in total, it does consider passing off an offense cognizable under Section 337.

CD at 3-4

101.4 Predatory Pricing

TA-23 Color Television Receiving Sets CD

"The crux of predatory price behavior is the manipulation of prices in such a fashion as to preclude or drive a competitor from a relevant market. Areeda and Turner, Predatory Pricing and Related Practices Under §2 of the Sherman Act, 88 Harv. L. Rev. 697 (1975). Local price cutting may be the object of predatory pricing schemes. Standard Oil Co. v. United States, 221 U.S. 1, 43 (1910). The Court of Appeals for the Fifth Circuit has defined predatory price behavior as the sacrifice of present revenues in a competitive market for the purpose of driving a competitor out of that market and recouping the losses through subsequent higher prices. International Air Industries, Inc., v. American Excelsior Co., 517 F.2d 714, 723 (5th Cir. 1975). The aid of profit from other markets is a factor in determining the existence of predatory price behavior in a relevant market. Id at 725 n. 32."

CD at 5

TA-25 Above Ground Swimming Pools RD

In the area of predatory pricing, the FTC has found selling below cost or at otherwise unreasonably low prices with the intent, purpose, and effect of restraining and lessening competition to be in violation of §5. See In the Matter of Quaker Oats Company, 66 FTC 1131 (1963).

RD at 64

TA-25 Above Ground Swimming Pools RD

The question as to whether sales are made at prices so unreasonably low as to have a predatory or anticompetitive intent must be determined on the facts of an individual case. See National Diary Products Corp. v. United States, 350 F.2d 321 (1965), vacated and remanded on procedural grounds, 384 F.2d 457 (1967), cert. denied, 390 U.S. 957 (1968).

RD at 64

TA-27 Chicory Root RD

Complainant alleged that respondent increased its market share by predatory pricing. However, due to conflicting and speculative evidence, and the fact that respondent had cut its prices permanently worldwide, which "is hardly plausible ... unless it could justify these reductions in lower cost," the ALJ found insufficient evidence to find a reason to believe respondent had obtained its dominant market position through predatory pricing.

RD at 12-13

TA-27 Chicory Root CD
(on temporary relief)

To prevail as a matter of law in this case, complainant must ultimately show either (1) that a competitor is charging a price below his average variable cost in the competitive market, or (2) that the competitor is charging a price below its short-run, profit-maximizing price and barriers to entry are great enough to enable the discriminator to reap the benefits of predation before new entry is possible. International Air Industries, Inc. v. American Excelsior Co., 517 F.2d 714, 724 (5th Cir. 1975).

CD at 15

TA-29 Steel Tubes RD

The ALJ found that predatory intent may be inferred when a firm prices below its average variable cost over the long run if there is no other rational explanation for such behavior. Injury to competition was inferred from such predatory behavior because it forced other competitors faced with such prices to either sell at a loss themselves or maintain prices at levels that would result in lost sales.

RD at 42-46

However, the ALJ did not accept the proposition that predatory pricing, because it is inherently inimical to fair trade, tends to restrain or monopolize such trade as a matter of definition, absent a showing of restraint or injury.

RD at 45

[redacted]

101.4

TA-29 Steel Tubes CD

Commission held that "a violation of §337 may occur when foreign competitors engage in unreasonably low pricing with an intent, either individually or collectively, to destroy competition in the United States market."

CD at 19

The Commission refused to adopt an inflexible test of what constituted "unreasonably low prices", but rather stated that each case must be examined individually. The ALJ had relied heavily on §3 of the Robinson Patman Act (15 U.S.C. §13(a)), but the Commission found it unnecessary to resort to this Act as it found §337 broad enough to cover predatory pricing schemes.

CD at 18-19

The Commission adopted the ALJ's findings with regard to the rebuttable presumption of predatory intent:

"For all these reasons, we hold that sales below a respondent's average variable costs of production raise a rebuttable presumption of predatory intent, while sales above AVC but below average total costs must be supported by evidence of subjective intent before this Commission can find them to be unfair within the meaning of §337.

We do not consider this rule to depend upon a showing of monopoly power. Rather, it is sufficient to conclude from surrounding economic circumstances that respondents could engage in such a course of unreasonable sales persistently. In the absence of some proof that respondents possess monopoly power, it is permissible to apply the above rule when there is a sustained practice of sales below AVC sufficient to indicate a party's ability to incur mounting losses in the course of a predatory scheme."

CD at 23

101.5 Trademark Infringement

TA-53 Swivel Hooks and Mounting Brackets RD

In the settlement agreement of a trademark infringement charge, respondents agreed to disclose clearly and conspicuously the foreign country of origin of all imported swivel hooks to the retail purchaser immediately prior to the retail sale of the hooks in the United States. A question as to what constituted "clear and conspicuous" disclosure was discussed. The Commission noted that the failure to make a clear and conspicuous disclosure of the country of origin of imported swivel hooks to the retail purchaser would constitute an unfair practice under §337, if the effect on a domestic industry or on trade and commerce required by §337 could be shown.

RD at 2-4

TA-55 Novelty Glasses CD

The Commission found the trademark unworthy of protection because:

"In our view, the marks used by complainants are not distinctive, but merely descriptive. They describe the games or allude, through a double entendre, to the rocks included in the glasses. When a mark is not registered or is not inherently distinctive, but is merely descriptive, the burden to establish secondary meaning falls on the user of the mark."

CD at 12

[redacted]

101.5

TA-69 Cast-Iron Stoves CD

In order to prove common law trademark infringement, a complainant must show that there is an imitation of the physical details and design of a product that causes consumer confusion, that the features imitated are "nonfunctional" and that the features have acquired a "secondary meaning". We agree with the ALJ's finding that the design features of the Jotul stoves are nonfunctional and have acquired secondary meaning and, thus, are entitled to common law trademark protection. See Bliss v. Gotham Industries, Inc., 316 F.2d 848, 855 (9th Cir. 1963). The record contains a consumer survey establishing that the respondents' usage of the design features of Jotul stoves has resulted in public confusion.

CD at 2-3

101.5

TA-74 Roto-Photo RD

To find an unfair act with regard to the registered trademark issue it is necessary to find that the trademark was used in connection with the sale of goods and that use is likely to cause customer confusion as to the origin of those goods. 15 U.S.C. 1114; *W. E. Bassett Co.* v. *Revlon, Inc.*, 435 F.2d 656 (2d Cir. 1970); *Tisch Hotels, Inc.* v. *Americana Inn, Inc.*, 350 F.2d 609 (7th Cir. 1965). Complainant correctly points out that only the likelihood of confusion need be proved, not actual instances of confusion. Id.

The mark used in the sale of [Respondents'] devices is Roll-A-Photo. Because of the distinct similarity between "Roll-A-Photo" and "Roto-Photo" in terms of sound and appearance, and the virtual identity of the products sold under these marks, it is clear that customer confusion as to the source of these goods is likely. Thus, trademark infringement exists. Such a result is advanced further by the fact that the purchase of these goods is not of the type upon which a consumer would make a lengthy considered decision. *See* Restatement of Torts, §729. The country of origin designation on the imports is of no moment in this respect. It does not prevent customer confusion as to origin.

RD at 10-11

101.6 Trade Secrets

TA-32 Dot Matrix Printers CD

Trade secret misappropriation was at issue in Dot Matrix Printers as an alleged unfair trade practice; however, the Commission terminated the investigation and found no §337 violation based on an agreement which licensed respondents under complainant's patents and trade secrets.

CD at 4

TA-52 Copper Rod CD

To prove misappropriation of a trade secret for purposes of establishing an unfair act within the purview of §337, four elements must be proven: (1) the existence of a trade secret which is not in the public domain; (2) that the complainant is the owner of the trade secret or possesses a proprietary interest therein; (3) that the complainant disclosed the trade secret to respondent while in a confidential relationship, or that the respondent wrongfully took the trade secret by unfair means; and (4) that the respondent has used or disclosed the trade secret causing injury to the complainant.

CD at 38

The existence of the secrecy agreement *per se* does not make it easier for Southwire to prove misappropriation of a trade secret in this investigation. Southwire is in the same position it would have been in under German law or U.S. law without such an agreement, since trade secret misappropriation in this proceeding is assessed in light of the confidential relationship between Krupp and Southwire. However, the existence of the secrecy agreement does establish that Krupp and Southwire were in a confidential relationship.

CD at 39-40

It is an established principle (*See*, *e.g.*, *Smokenders, Inc.* v. *Smoke No More, Inc.*, 184 USPQ 309, 317 (S.D. Fla. 1974); *Waters Services Inc.*, v. *Tesco Chemicals, Inc.*, 410 F.2d 163, 162 USPQ 321 (5th Cir. 1969): *Imperial Chemicals, Ltd.* v. *National Distillers and Chemical Corp.* 342 F.2d 737, 144 USPQ 695 (2d Cir. 1965)) that a trade secret

(Cont'd)

[redacted]

can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, provided, however, that the unique combination of these elements is not published and affords the complainant a competitive advantage. The coiling apparatus and method claimed by Southwire to comprise Trade Secret No. 5, under the principle of Water Services, is "the application of known techniques and the assembly of the available components to create the first successful systems in the industry." (410 F.2d 163, 173, 162 USPQ 321, 328-29).

CD at 43

The owner of a trade secret has no claim against a user who acquired the information without knowledge that it was a trade secret. See, e.g., Ferroline v. General Aniline and Film Corp., 207 F.2d 912, 920-21, 99 USPQ 240, 245-46 (1953).

CD at 49

102. Importation and Sale of Articles

TA-2 Convertible Game Tables CD

In this case, four Commissioners concluded that the importer of the subject merchandise, through its wholly-owned subsidiary (which sold the merchandise to six retail outlets) "engaged in the deceptive trade practice of advertising a fictitious regular price for the imported tables . . ." which constitutes "an unfair practice under §337." It is noted that there was no corporate relationship between the importer and the foreign manufacturers. However, the Commission sustained jurisdiction because there existed an "unfair practice in the sale by the owner, importer, consignee, or agent of either."

CD at 19-22

"Importation of a less-than-complete article into the U.S. may be suffficient to constitute an unfair method of competition or an unfair act."

CD at 15

TA-4 PTFE Tape CD

Evidence in the case was presented to show that tape was sold more than one year prior to the date of application. This sale makes the patent unenforceable for §337 purposes, as it is sufficient to meet the test in 35 U.S.C. §102(b).

CD at 10

(Cont'd)

[redacted]

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"The courts have long held that even one unrestricted sale of the product prior to the critical date is sufficient to invalidate the patent. See Kalvar Corp. v. Xidex Corp., 384 F. Supp. 1126, 1129 (1973) and Smith and Gripps Mfg. Co. v. Sprague, 123 U.S. 249, 257 (1887)."

CD at 11

(Opinions of Commissioners Leonard, Minchew and Ablondi)

Compare opinion of Commissioners Bedell, Moore, and Parker:

"The law requires a showing beyond a reasonable doubt to support such a finding, whereas the evidence here that the tape sold falls within the claims of the Gore patent is merely circumstantial."

CD at 15

TA-7 Certain Electronic Audio and Related Equipment RD

"Section 337 addresses itself to 'unfair methods of competition and unfair acts' which occur in the importation of articles into the United States, or in their sale . . . . [Emphasis added]. Moreover, the statute requires that such sale be made by an owner, importer, consignee, or agent of either. Therefore, (1) if an article is imported into the United States and (2) if such article is sold in the United States by an owner, importer, consignee, or agent of either and (3) such sale in the United States constitutes an unfair method of competition and unfair act, the Commission may exercise jurisdiction, and unless there are overriding public policy considerations, issue an exclusion or cease and desist order."

RD at 17

"I conclude that a nexus is not required between the time the merchandise is exported and the time the merchandise is imported into the United States. If the unfair act is committed in the sale of imported articles in the United States by an importer, for example, the Commission may take jurisdiction."

RD at 18

TA-7 Certain Electronic Audio and Related Equipment CD

The Commission basically adopted the RD to the effect that if (1) an article is imported into the United States and is sold by an owner, importer, consignee, or agent of either and (2) the sale in the United States constitutes an unfair act, "a nexus is not required between the time the merchandise is exported and the time the merchandise is imported into the U.S."

(*See* RD at 17-18)

CD at 29

TA-21 Dry Wall Screws CD

Commission stated that "cessation of the importation alone does not obviate the possibility of finding a violation of §337." The Commission construed 19 U.S.C. 1337 (b) and (c) as mandating a responsibility to investigate irrespective of whether or not there is a violation of this section.

(Commission Memo Opinion)

CD at 2-3

TA-29 Steel Tubes CD

Foreign manufacturers were deemed "owners" within the meaning of §337 since they were selling articles either directly to customers located in the U.S. or to exporters with the knowledge that the exporting firm would subsequently sell the articles to customers located in the U.S.

CD at 10-11

(Cont'd)

[redacted]

The Commission found that the term "sale" is not limited to a sale in the United States but can refer to a sale outside the U.S. since injury can take place in the U.S. as a result of unfair acts perpetrated in a foreign country.

CD at 10

TA-51 Cigarette Holders CD

Complainant's testimony that he had been told by various persons that infringing items were being imported was merely hearsay and insufficient to support an injury finding due to unfair imports.

CD at 5

TA-59 Pump Top Containers CD

The Commission, agreeing with the decision of the ALJ, concluded that complainant Aladdin had not proved that the pump top insulated containers manufactured by Rollin were imported into or sold in the United States. The record showed that Rollin offered to export pump top containers to Cut-Rate Toys in the United States, but that this offer was solicited by Aladdin. No evidence is on record that shows that the sales were actually made. Lacking a showing of importation or sale by Rollin to U.S. retailers or consumers, Rollins cannot be found in violation of §337.

CD at 7

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103. Domestic Industry

In general

The importance of domestic manufacture of the patented article or domestic use of the patented process (either by patentee or its licensees) is paramount. In In re Frischer & Co., Inc., the complainant obtained goods from abroad and did not manufacture in the U.S. This did not satisfy the requirement that there must be a domestic industry (17 C.C.P.A. 494, 49 F.2d 274 (1929)).

Similarly, in Walkie Talkie Units, the Commission dismissed the complaint because there was no definable U.S. industry in existence. (Notice of Dismissal of Complaint, Dec. 2, 1965).

TA-5 Chain Door Locks CD

The 'industry' protected by §337 is the domestic industry that is lawfully manufacturing the articles that are the subject of this investigation. In patent-based cases, that industry may consist of the patentee and his licensees, even if that be only one company.

CD at 35-36

See also In re Von CLemm, 108 USPQ 371, 373 (C.C.P.A. 1955):

There is nothing in the statute which requires that an industry must be of any particular size, or that more than one company must be involved before the protection provided by the statue may be invoked."

TA-10 Ultra-Microtome Freezing Attachments CD

"Past Commission decisions, from Bakelite through Electronic Pianos, have defined 'industry' in §337 investigations, based upon claims of patent infringement, as the patented product by the patentee or his licensee. (Frischer & Co. v. Bakelite Corp. 39 F.2d 245 (C.C.P.A. (1930)); Electronic Pianos, ITC Publication 721 (March 1975)). Legislative histories of §316 of the Tariff Act of 1922 and of §337 of the Tariff Act of 1930 also indicate that the intent of the statute was the protection of domestic manufacture of goods (62 Cong. Rec. 5879; 71 Cong. Rec. 4638, 4648).

The wording of the statute itself adds to the conclusion that the statute protects only parties producing under the patent. To find a §337 violation, the statute requires that the industry be 'efficiently and economically operated.' 'If the statute were addressed to the patent right *per se* of a patentee, there would be no need for the test of efficiency and economy of operation.' (Chairman Ben Dorfman in Self-Closing Containers, TC Publication 55, 1962, p. 26)."

CD at 8

"Defining 'industry' as the mere ownership or licensing of patent rights would be contrary to Commission precedent, legislative history, and the logical construction of the statute's wording."

CD at 9

TA-22 Plastic Bags RD

Complainant stated that the domestic industry was constituted by sales to commercial users only. However, the ALJ found there was only one industry which included both the industrial and retail markets. Thus, complainant apparently may not define the domestic industry as being less than all of the U.S. facilities authorized to manufacture the patented article.

RD at 4, 14

TA-24 Exercising Devices RD

The domestic industry is composed of those facilities of complainant manufacturing parts of the patented article falling within the claims of the patent involved in the §337 proceeding.

RD at 28

TA-30 Photocubes RD

The domestic industry also includes the domestic facilities of those firms authorized to domestically produce the patented article as licensees, or as subcontractors.

RD at 9, 14

Thus, the domestic industry consists not only of the patentee's facilities but also the facilities of others assisting complainant to produce the patented article.

(Opinion of Minchew, Moore and Alberger)

CD at 6

TA-31 Steel Toy Vehicles CD

In a simulation case, the complainant constitutes the domestic industry because it has the facilities devoted to the manufacture of the articles incorporating the non-functional design feature alleged in the complaint to be violative.

CD at 28-29

TA-43 Trash Pumps RD

"It is well settled that, for the purposes of §337, the domestic industry referred to in the statute is that portion of the complaining party's domestic production facilities which lawfully manufactures the patented article."

See Certain Writing Instruments, 337-30 at 7; Convertible Game Tables, 337-34; In re Von Clemm, 229 F.2d 442, 444 (C.C.P.A. 1955).

RD at 52

TA-52 Copper Rod CD

In determining the scope of the industry in this case we have examined the realities of the marketplace. [F]or us to segment the industry in this investigation, as Krupp would have us do, would ignore the realities of the market for continuous

CD at 55

TA-67 Acceleration Tubes RD

In Certain Apparatus for the Continuous Production of Copper Rod, 337-TA-52, the Commission defined the domestic industry as the part of complainant's business devoted to the development sale, servicing and licensing of the copper rod producing systems in issue, as well as that part of the business of subcontractors devoted to the manufacture of parts for the systems. The definition of industry was not limited to the manufacture of products or to the sale of products, but included product development and services.

[Thus, in the instant case, t]he domestic industry for the purposes of Section 337, is that part of the business of [Complainant] devoted to the development, production, design, rebuilding, servicing and sale of inclined field acceleration tubes covered by the '323 patent.

RD at 26, 27

TA-68 Surveying Devices CD

We believe that the administrative law judge's first statement concerning industry (firms producing the functional equivalent of the invention) more accurately defines the concept of industry employed in the statute and by the Commission in other cases. The Commission generally has defined the domestic industry as consisting of "that portion of complainant's business involved in the patented article" or to similar effect. The concept of market in stipulation implies something vaguely broader, perhaps including customers, which goes beyond the statutory concept of industry, at least as previously interpreted. The question of market impact seems relevant to a discussion of public interest factors.

CD at 30

TA-69 Cast-Iron Stoves RD

[T]he term "industry" in §337 is broad enough to include the business activities of an importer-distributor-dealer network located in the United States. Even though the product sold to the ultimate consumer was manufactured abroad, the distribution network provides services in the United States and constitutes a legitimate business activity. If other services, such as auto repair shops or laundries, can be considered industries, then a sales network which includes repair and installation services also should constitute an industry.

RD at 5

This case is in some ways comparable to a patent case, where the domestic industry is defined as the company which owns the patent and licenses under that patent. This definition excludes companies illegally using the patent and companies selling competitive products without using the patent. To hold that the domestic industry in these cases should be defined as including every company actually competing in the marketplace with the company injured might make it impossible for a small company to show the requisite injury. If this were the definition of the domestic industry in all cases, only a complainant which dominated the industry could succeed in a §337 case.

RD at 5-6

The legislative histories of both Section 316 of the 1922 act and Section 337 of the 1930 act are unhelpful regarding the meaning of the term "industry." At the time of the adoption of both sections, the dominate economic activity in the United States was manufacturing. Congress anticipated that the great majority of cases brought under Section 337 would involve manufacturing industries. However, there is some indication that the law was not intended to be limited to the protection of manufacturing activity. In the floor debate on the 1922 law, Mr. Fordney, one of the principal sponsors of the act, referred to industries as including farming and mining as well as manufacturing. (62 Cong. Rec. 12507). During the Senate debates on the 1930 act, Senator Simmons stated that Section 337 applies "to all industries alike: Wage earner, farmer, stockman, producer, and legitimate business in general have everything to gain." (71 Cong. Rec. 3542).

It is clear that Congress distinguished between "industry" and "manufacturer" when it adopted the Tariff Act of 1930.

CD at 8-9

The Senate Finance Committee's report on the Trade Act of 1974 makes clear that the law's objective is more than merely the protection of American manufacturers. In its discussion of the amendments to Section 337, the Committee stated that "the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding consideration in the administration of this statute. (Trade Reform Act of 1974: Report of the Committee on Finance . . . , S. Rept. No. 93-1298 (93d Cong., 2d Sess.), 1974, p. 197.

CD at 9-10

(Cont'd)

> The Commission investigative attorney has urged the Commission to adopt as the test for domestic industry "any systematic activity which significantly employs use of American land, labor, and captial for the creation of value." We agree that in this case there is clearly a significant employment of land, labor, and capital for the creation of value. The industry here is Jotul U.S.A., the importer, and a network of 15 distributors and 750 dealers throughout the United States. The economic activity that they engage in is more than simply selling the stoves. A major part of Jotul's function is to repair and test stoves . . . . These repair and installation aspects of this retail trade distinguish this industry from many potential industries because the value added domestically is significant.
>
> A related issue is whether the industry in this case is "domestic." . . . Kristia Associates, the importer of Jotul stoves, has now been sold to Jotul of Norway and has become its subsidiary. This change to foreign ownership does not in itself have the effect of stripping the industry of its domestic status. The bulk of the industry consists of the distributors and retailers which sell and service Jotul stoves. The retailers and distributors employ the vast majority of the workers in the domestic industry. These companies remain domestically owned and operated, and they employ American labor. Furthermore, Jotul U.S.A. itself continues to be a domestic company because it employs a substantial amount of American labor, has shipping and servicing facilities in Portland, Maine, and is a Delaware corporation . . . . [T]he change in ownership of Kristia does not affect our finding of a domestic industry when account is taken of the other domestic aspects of the industry.
>
> [W]e believe that enough domestic activity . . . has been shown here to consider the importer-distributor-dealer network for Jotul stoves as a domestic industry within the meaning of Section 337.

CD at 10-11

TA-85 Slide Fastener Stringers RD
(on temporary relief)

In recommending that the Commission grant temporary relief, the ALJ urged that the term "industry" be given a broad definition:

> A definition of "industry" which excludes machines made by a company to produce goods which are sold by that company is too narrow. This would exclude a vital and productive area of business in which companies improve the efficiency and quality of the machines they use to make the products they sell. This would include improvements to steel producing equipment, automotive production equipment, or airplane manufacturing equipment, for example. To protect as an industry under Section 337 the sales distribution network in the United States of a foreign manufacturer, but to exclude from protection a U.S. manufacturer who improves the product he sells by a patented improvement in the machine which makes the product would appear to reverse the legislative intent of Congress in enacting Section 337.
>
> There is no requirement in Section 337 that an unfair practice be found only if the complainant manufactures and sells the product in issue, nor should there be. An arbitrary restriction on the type of U.S. industry entitled to protection under Section 337 would be unwarranted.

RD at 28

103.1 Preventing Establishment of Such Industry

"Another case in which the complainant alleged the prevention of establishment of an industry was Paper Stitchers in which the patentee had been attempting to interest other organizations in producing and selling the paper stitchers inasmuch as none had yet been produced in the United States. The Commission found that there was no domestic industry which was prevented from being established and therefore the investigation was never initiated."

Harvey Kaye, "Outline of Presenting Complainant's Case: Special Problems, Preinvestigation Complainant Activity," ITC Patent Practice, K-7 (ed. W. Herrington 1979).

TA-10 Ultra-Microtome Freezing Attachments CD

"In light of the dictionary definitions of 'prevent' and 'establishment,' it appears that the prevention clause of §337 protects two categories of parties: (1) parties which have just begun manufacturing operations and for which §337 violations would have the effect or tendency of frustrating efforts to stabilize such operations; and (2) parties which are about to commence production and for which §337 violations would have the effect or tendency of frustrating efforts to found a business. For convenience, the class of industries described in the latter category can be referred to as embryo industries, industries about to be born."

CD at 10

(Cont'd)

[redacted]

103.1

"Parties seeking Commission remedies under the prevention clause of §337 must show a readiness to commence production. What constitutes such a showing must be decided on a case-by-case basis."

CD at 10

TA-44 Roller Units

RD

In the context of such an expanding market of which complainant could reasonably expect, but for the unfair foreign competition, to capture a larger share, complainant might wish to license other producers of its patented roller units. In such a case, complainant would be entitled to royalties since the patent statutes give an exclusive right to the patentee to make, use and vend and to assign any interest in this monopoly to others. United States v. Line Material Co., 333 U.S. 287, 312 (1948). While complainant presently has no licensee, it is arguable that to the extent imported infringing roller units have unfairly preempted the market, they tend to deprive complainant of its exclusive right to assign its interest and secure royalties thereby. See Commission Staff Brief, at 31.

RD at 35-36

103.2 Efficiently and Economically Operated

In general

In-the-Ear Hearing Aids - The fact that the firm launched a costly and successful campaign to promote the sales of the hearing aid was considered evidence of efficiency and economy of operation. (T.C. Pub. No. 182, July 1966, pp.20-21).

The Commission has also considered it relevant to include within its inquiry: analysis of product adaptation; sales practices engaged in by the domestic industry; and the comparative practices of competitors in the market place. *See* Michael Hertzberg "The Economics of a Patent Based §337 Case," *ITC Patent Practice* F-29 (ed W. Herrington 1979).

"In the absence of any determination in which the Commission found the domestic industry to be inefficient or not economically operated, it is difficult to surmise which factors would be considered by the Commission to successfully rebut a complainant's position on this issue. Thus, at the present time, a complainant that demonstrates the use of modern manufacturing equipment, modern processing methods, commercial success of the product involved, well conceived distribution and marketing techniques is likely to prevail on this issue."

F-31
(Hertzberg)

In general

In the Furazolidone (T.C. Pub. No. 299, November, 1969) case, dissenting Commissioner Thunberg stated,

"The concept of efficient operation certainly does not encompass patent misuse as a buttress to successful competition. A complainant whose domestic market position rests in part upon unlawful restrictive trade practices can in no way be deemed to be efficiently and economically operated."

Page 49

TA-5 Chain Door Locks CD

"Ideal has automated some functions and taken steps with respect to the parts used in the manufacture of its locks which increased its competitiveness with imported locks. No evidence has been presented which indicates that the production processes used by Ideal are antiquated or out of line with the process used by U.S. manufacturers of related products. Ideal appears to be a competitive company, and in the absence of evidence to the contrary about either it or Hartzell, we find the industry is efficiently and economically operated."

TA-22 Plastic Bags CD

Where complainant had made a profit in its total product line as well as in the relevant line for a number of years, use of competitive pricing by its subcontractors for production of articles was an efficient and economic way for complainant to produce the product.

(adopting RD at 50)

(Cont'd)

[redacted]

The issue raised in this case was whether the domestic industry could be considered efficiently and economically operated if it received its technology from abroad. The Commission stated:

> "Thus respondent's---objection is not to the fact that the domestic industry is operated efficiently and economically but that it received its technology from the original Japanese patent holder. . . . Since this in no way prevents the efficient and economic operation of the domestic industry, but aids it, we adopt the presiding officer's findings that the domestic industry involved is efficiently and economically operated."

CD at 12-13

TA-24 Exercising Devices RD

The tests for determining whether a domestic industry is efficiently and economically operated include:

(a) Increase in production of articles as compared to the rest of the domestic industry's production;

(b) Improvement of the product;

(c) The facilities are well equipped and use modern methods of plant production;

(d) There is a favorable ratio of current assets to current liabilities; and

(e) Stockholder's equity is high compared to debt, thereby providing assurance to complainant's creditors.

RD at 25-27

[redacted]

TA-30 Photocubes CD

If the domestic industry uses subcontractors, those facilities are examined. The Commission found that the use of competitive pricing among subcontractors manufacturing photocube parts resulted in efficient economic production of the imported product.

CD at 6

The recommended finding that the complainant "continuously develops new styles and arrangements for their product lines and places emphasis on invention of new items" was adopted by the Commission.

CD at 6
adopting RD at 13

TA-35 Golf Balls RD

Complainant's industry was found to be "efficiently and economically operated" on the basis of these factors:

(1) it continuously develops new technological innovations for its products line and emphasizes invention of further innovations;

(2) it sells golf balls to customers through golf equipment manufacturers and distributors and through its own sales force at retail stores;

(3) it has a plant specifically designed for production of golf balls, with comfortable working conditions; and

(4) it has spent money advertising its product and promoting a market where none had previously existed.

RD at 16

TA-39 Luggage RD

The ALJ concluded that the industry was efficiently and economically operated. "The evidence indicates that during the pertinent time period complainant has made substantial investments in capital improvements, including computerization of certain aspects of its production, established employee training and incentive programs, implemented a superior program of maintenance of production equipment and facilities on a continuing basis, with excellent quality control. Complainant's constant upgrading or modernizing of its manufacturing equipment is especially persuasive on the issue of efficient operation. See *Lightweight Luggage*, T.C. Pub. 391 (1971) at 4."

RD at 44

Compare the view taken by the Commission in *Steel Tubes* (337-TA-29), where it was determined that a negative inference of inefficiency was warranted as to certain Japanese respondents, given their almost contemptuous lack of response to pleadings and discovery.

TA-43 Trash Pumps RD

"[The] characterization of certain elements of complainant's promotion, marketing and distribution system as inefficient (e.g., inventory kept too small, limited variety of sizes produced, few sales representatives and distributors) is not persuasive in the light of counter evidence of complainant's production incentives and substantially adequate and competitive distribution system."

RD at 53

TA-43 Trash Pumps CD

Commissioner Alberger, affirming that the domestic industry was efficiently and economically operated, stated:

(Cont'd)

[redacted]

103.2

> "Some of the evidence summarized above is based upon complainant's non-patent operations as well as their patent production. While this might not accurately reflect the true state of Hale's patent-based production, I think it would be unduly burdensome to require a complete breakdown of financial data. If a complainant can show an overall efficient and economical business, the burden should shift to respondent to demonstrate that the patent operation is an exception--particularly where patent-based production has been as profitable as other components of the overall operation. We must not allow our restrictive definition of industries in patent-based cases to make it impossible for a complainant to show he is efficiently and economically operated. Our requirements of proof on these matters must comport with business realities."

CD at 23

TA-59 Pump Top Containers CD

The industry was found to be efficiently and economically operated because:

(1) it purchased and used modern equipment;

(2) equipment is continually updated in keeping with technology changes;

(3) a sizable capital program is available for maintaining equipment and continuing R and D;

(4) large number of employees is available for producing containers; and

(5) substantial space dedicated to the manufacture and the warehousing of products.

CD at 8

[redacted]

TA-60 Crankpin Grinders RD

Respondents argued that the domestic industry was not an efficient operation as reflected by its ever growing backlog of orders. However, the evidence of record as a whole suggests that complainant's inability to stabilize or reduce its backlog was due more to the inherent cyclical nature of the machine tooling industry than to any substantial inefficiency or uneconomic operations on its part. Complainant moreover made reasonable efforts to shrink its backlog, including its system of reservation orders, acquisition of satellite facility, increased employment, and more intensive training programs to upgrade the effectiveness and productivity of its employees.

RD at 56

TA-60 Crankpin Grinders CD

The Commission found an efficient and economical operation of the domestic industry by using various criteria utilized in past cases including the use of modern equipment and procedures, sufficient working capital, high investment in research and development, incentive benefit programs for employees, and sustained profitable operation.

CD at 14, 15

Two labor strikes by complainant in successive years were not an indication of substantial inefficient or uneconomical operation where the evidence did not appear to be anything more than isolated incidents.

CD at 15

103.2

TA-72 Turning Machines RD

Complainant...has provided sufficient proof of an overall efficiently and economically operated industry. Factors which demonstrate that the Turning Machine Division is efficiently and economically operated include: investment of substantial capital in product development and production equipment; employee incentive compensation and fringe benefit programs; substantial marketing organization to sell and service SC machines; extensive training for field representatives; and substantial on-line data processing facilities.

RD at 154

104. Injury

In general

(Source: Michael Hertzberg, "The Economics of a Patent-Based §337 Case," *ITC Patent Practice* F-16-17 (ed. W. Herrington, 1979)).

Factors Which Are Likely to Lead to an Injury Determination

(1). Significant direct displacement of complainant's customers by the infringing imports.

(2). Increasing infringing imports and increasing sales of infringing imports.

(3). Decline in production of the patented article resulting from sales lost to the imported article.

(4). Declining profits of the complaining article resulting from the infringing article.

(5). Sales of the infringing article made at prices lower than the complainant's prices.

(6). Declining prices obtained by the complainant resulting from its efforts to compete with the infringing imports.

(7). Declining employment and declining productivity resulting from the infringing imports.

(8). Lost potential sales to customers which complainant might obtain if the infringing product was not being sold to the customer.

(9). Loss of royalties or potential income from licensees resulting from the infringing articles.

(Cont'd)

[redacted]

(10). Significant capacity to produce the infringing article by respondents.

(11). Significant degree of market penetration by the infringing article.

In general (continued, Hertzberg article):

(12). Presence of direct competition between the complainant's article and the infringing article without the presence of similar nonpatented articles produced by other competitors.

(13). Significant contribution of the infringing article itself to the commercial success of the imported article.

Factors Which Are Likely to Lead to a No Injury Determination

No sales lost directly or indirectly by the complainant to respondents.

Increasing sales by complainant.

Increasing profits of complainant attributable to the involved article.

Increasing employment and production of the article by complainant.

A higher price for the infringing imported article than the complainant's article.

Increasing royalties or increasing opportunities to license the article.

Presence of similar domestic articles which compete with the patented article.

Presence of significant economic factors which affect complainant's business but are not attributable to respondent's actions.

Absence of any direct competition between complainant's article and respondent's infringing article.

Limited capacity of respondent's production.

TA-4 PTFE Tape CD

Commissioners Bedell, Moore, and Parker:

"Moreover, [complainant] assumes these sales were losses to [complainant], although an active and competitive, but noninfringing, industry...exists side by side with [complainant]. While there is evidence that the expanded [complainant] product is of better quality than competing products on this record, we are given no...idea by the record what the relative sales of the...industry were during the relevant period."

The Commissioners here expressed willingness to consider that rather than imports creating injury it could well be other domestic competition that is injuring complainant.

CD at 19

TA-22 Plastic Bags CD

Factors showing evidence of injury included:

1. underselling of the domestic industry's product;
2. a small but increasing level of market penetration by the infringing bags;
3. lost sales (which are likely to increase); and
4. substantial capacity by the exporters to increase exports of the bags to the U.S., with numerous willing importers in the U.S.

CD at 14

[redacted]

TA-24 Exercising Devices RD and CD

When distributors who sell the infringing imported article make a larger gross profit per unit than those who purchase domestically, there is a strong economic incentive for domestic distributors to sell the imported article and thus, a tendency to injure.

CD at 4
adopting RD at 19

When the foreign manufacturer has the apparent ability to rapidly penetrate the U.S. market due to lower labor and material costs, injury or tendency to injure is probable. Consumers' preference and product fungibility are also considerations on the issue of injury.

RD at 23

Whether purchasers of the imports were former customers of complainant is an important factor. Reduction in man-hours worked by domestic production employees is another important indicia of injury.

RD at 18

TA-29 Steel Tubes RD

The ALJ found "substantial and reliable" evidence of lack of injury to the domestic industry, on such factors as:

1. "Only a de minimus number of Complainants showed losses for 1976. [Confidential Finding 72]. Furthermore, although there were specific instances of lost sales introduced into evidence, it is clear that the industry as a whole is not being injured: the market percentage of import penetration has increased less than 1% in the five-year period since 1972, from 12.2% to 12.7%."

(Cont'd)

2. Respondents have failed to link specific instances of lost sales to a specific respondent.

3. It appears that the industry is a cyclical one, and in spite of this fact, the domestic industries expanded their capacity in 1974-1976 in response to an increase in consumer demand which has since abated. The Complainants did not allocate the portions of their lost sales which resulted from the decline in demand as versus the penetration of foreign imported goods.

RD at 44-45

TA-30 Photocubes RD

Complainant's inability to obtain a reasonable return on its capital investment made for tooling and bringing the product to the market has also been found to cause injury. Loss of long term goodwill is also viewed as injurious to the domestic industry.

RD at 3-4

TA-35 Golf Balls RD

"Many imported molded balls are of such poor quality that the domestic industry has suffered lost good will because of their acquired undeserved reputation for poor performance."

RD at 18

"Injury to Complainant includes not only sales lost to specific customers with the resultant loss in income, but a diminished good will as well due to apparently inferior quality balls produced and marketed by respondents. Also, royalties from licensees have declined from a 1974 high of $173,000 to $95,000 for 1976 and about $37,000 for the first half of 1977. This decline in profitability corresponds to increased imports since 1974."

RD at 5

TA-39 Luggage CD

In adopting the RD finding of injury, the Commission considered several factors:

(1) complainant's low profits;

(2) high ratio of infringing imports to domestic production;

(3) large volume of past imports had already injured complainant's otherwise exclusive production;

(4) existence of substantial foreign capacity, showing "tendency" to injure; and

(5) confusion in the marketplace causing substitution.

CD at 11

TA-43 Trash Pumps RD

The lower price of the imported pump is significant because it indicates that lost sales by the domestic industry to imports are likely when this price differential exists. Chain Door Locks, 337-TA-5 at 40. While the evidence of record does not clearly confirm complainant's claim of lost sales of the Hale pump directly attributable to the accused imported pumps, lost potential customers (sales) may reasonably be inferred from the unverified but uncontroverted oral reports of lost sales from complainant's sales representatives in the field, combined with the considerable volume of sales of accused imported pumps dominating the domestic market and the decreasing sales of the Hale pump. See Lightweight Luggage, 337-TA-28, at 7; Pantyhose, 337-TA-25, at 7; Meprobamate, p. 7 (T.C. Pub. 389, 1971).

RD at 55-56

(Cont'd)

Although complainant had shown facts sufficient to indicate substantial injury which, coupled with a showing of patent infringement, would normally constitute a §337 violation, Alberger found this case unique in that the overwhelming evidence indicated a trend toward cheaper, lightweight trash pumps. Thus, it was impossible to attribute injury to just one factor.

"We should not grant relief where the most attractive feature leading to the growth of importations does not reside in the patent itself. This is particulary so where other products on the market demonstrate a consumer preference for unpatented features."

CD at 20-21

TA-43 Trash Pumps CD

Stern (concurring):

"...since the presiding officer reached a conclusion of law on the question of injury, based on what I found to be an inadequate record, I feel it is necessary to comment on this issue."

CD at 24

"As the Commission noted in the majority opinion, we need not reach this question because we found no violation of §337 on the basis of no infringement. However, if

(Cont'd)

our decision had depended on a determination on this issue, in the absence of a more complete record I would not have been able to make such a determination. I would have felt compelled to remand the case to the ALJ...."

CD at 26

Stern pointed out that while often the Commission has inferred causation of injury from various indicia, due to the strong contrary inferences he found in this case, "a determination based on inference would be inappropriate."

CD at 26

TA-45 Combination Locks RD

"Thus, to show lost sales complainant points to the decline in its domestic sales as being below its projections which, having been made by an efficiently and economically operated company, must be deemed reasonably valid and reliable, assuming an orderly, fair market. The inference to be drawn here is that the sales projections would have been realized if the underlying assumption and necessary condition--a fair market--prevailed. But complainant has not clearly shown the absence of a fair market, i.e., the existence of foreign manufacturers with the capacity to produce infringing combination locks capable of penetrating and capturing a significant share of the United States market through willing domestic buyer/importers are available. There is also some evidence that the changing character of the domestic market in attache cases (more manufactured abroad) may be a more basic cause of complainant's declining domestic sales of its locks."

RD at 25

[redacted]

TA-45 Combination Locks RD

The ALJ then considered secondary indicia of lost sales (actual or potential). The complainant cited many "customer" complaints as to the quality of respondents' locks mistakenly thought to be complainant's. While the ALJ agreed that complainant's good will may be damaged to some degree by these complaints, it was not found that such complaints necessarily reflect lost sales.

RD at 22-23

TA-47 Flexible Foam Sandals RD

Injury was found to exist based on the following factors (among others):

1. Complainant had lost sales of the sandals to imports, and any unlicensed sale of infringing sandals represents at least a loss of royalty income.

2. Complainant had suffered loss of good will because of confusion between the patented sandal and the imported cheaper and inferior quality sandal.

RD at 6

TA-49 Attache Cases CD

The Commission adopted the ALJ's conclusion that there was no violation of §337 because the record did not support a determination of an effect or tendency to destory or substantially injure a domestic industry. Complainant admitted that the only known imports were 300 cases imported on a one-time basis. The record also

(Cont'd)

[redacted]

indicated that complainant's production and sales of the cases was increasing and there were "no adverse trends in terms of the Commission's other traditional criteria for injury." Furthermore, complainant admitted that no direct evidence of injury existed and that his evidence was limited to tendency for injury in the future. Finally, complainant's exhibits showing large foreign capacity does not show tendency to injure absent a strong showing that foreign manufacturers intend to direct their capacity toward penetrating the U.S. market. *Combination Locks*, TA-45 at 11."

CD at 7-8
(*See* RD at 10-11)

TA-51 Cigarette Holders RD

Complainant's claim that he had shown the possibility or capacity for harm to the domestic industry in the future is insufficient for an injury determination. To fulfill the injury requirement, it must be shown that the imported products have the effect or tendency to destroy or substantially injure a domestic industry. The record does not show any injury to or impact on the domestic industry *as a result of* the importation of products which infringed the design patent.

RD at 5

TA-54 Multicellular Plastic Film CD

The Commission agreed with the ALJ's conclusion that the importation of respondent's products had the tendency to injure substantially the domestic industry. This finding was based on such factors as:

(1) Complainant's patented product profits were flat in 1978, though the firm as a whole was quite profitable.

(2) Some respondents' sales were diverted from complainant's dealers, and more are expected to be diverted.

(3) Respondents possess substantial foreign capacity for the production of this film. This shows capability of respondents to inflict future substantial injury.

CD at 21-22

TA-55 Novelty Glasses CD

The Commission found an effect or tendency of substantial injury based on the following factors:

(1) the number imported are of the degree that would substantiate a claim of tendency to injure;

(2) imports amounted to a significant portion of complainant's sales;

(3) sales and profits have declined since introduction of imports;

(4) substantial orders expressly cancelled due to imports; and

(5) substantial margins of underselling by respondents' imports.

CD at 14

TA-56 Thermometer Sheath Packages RD

"The critical causal connection between the unfair acts and the injury, as alleged, may be shown by or reasonably inferred from the amount of sales of the accused imported article in relation to sales of the patented article over a substantial period of time and the present and future capacity for importation of the accused imported article."

RD at 54

TA-59 Pump Top Containers RD

"The loss of specific sales to the imported products and the falling off of total sales of complainant's pump-top insulated containers in a market in which other thermos ware sales were increasing support a finding of substantial injury to the domestic industry."

RD at 6

TA-59 Pump Top Containers CD

The Commission adopted the ALJ's conclusion of substantial injury based on these factors:

1. decline in domestic shipments;

2. complainant was forced to reduce the price it charged for its product to compete with the imported product; and

3. decrease in gross sales which exceeds the amount which corresponds to the price decrease.

TA-60 Crankpin Grinders RD

To sustain its burden of proving injury to the domestic industry, complainant offers evidence of: (1) loss of gross sales and profit; (2) decreased production and production economy; (3) weakened capital improvement programs; (4) reduced capability to bear risks of innovation; (5) reduced capability of maintaining a pool of highly skilled employees; (6) displacement of complainant's United States licensee as second source of supply within the domestic industry; and (7) increased capacity of respondents to expand production and sales of infringing crankpin grinders in the future.

RD at 57

Injury to complainant was found despite an upswing in the sales and profits because lost sales resulted in a higher unit production cost for the machines produced by reason of the lost economies in manufacturing cost which multi-unit production affords.

RD at 58

TA-60 Crankpin Grinders CD

Respondent's argument that complainant might not have received the order for its patented article if the respondent had not been its successful bidder is not persuasive because there were only two bidders and it is fair to assume, as did the administrative law judge, that under these circumstances complainant lost the sales.

CD at 16

"These lost sales had the effect or tendency of causing the loss of gross sales and profits, decreased production and production economies, weakened capital improvement programs, reduced capability to bear risks of innovation and reduced capability of maintaining a pool of highly skilled employees in the crankpin grinder art. Despite the current upswing in complainant's sales and profits, this is a cyclical industry which can be quickly affected by a downturn in the automotive industry or unfair competition. The ability of the complainant to adjust to the cyclical nature of the industry had been impaired by these unfair imports."

CD at 16

"Despite the current upswing in complainant's sales and profits, this is a cyclical industry which can be quickly affected by a downturn in the automobile industry or unfair competition. The ability of the complainant to adjust to the cyclical nature of the industry has been impaired by those unfair imports."

CD at 16

The Commission did not reach the question of whether orders placed for goods before, but not deliverable until after, expiration of the suit patent can constitute injury under §337.

CD at 17

TA-67 Acceleration Tubes CD

The Commission found that the record established both present substantial injury and a tendency toward further injury in the future and reconciled this determination in light of §337 precedent:

> Our determination of injury in this investigation is consistent with previous cases. As in Certain Automatic Crankpin Grinders, Inv. No. 337-TA-60, USITC Pub. No. 1022 (1979), where lost sales were important to the injury determination, the import penetration ratio is significant, and the unit cost of the patented devices is high. In two other recent cases, complainant relied principally on a showing of lost sales because other indications of injury were largely absent. Certain Combination Locks, Inv. No. 337-TA-45, USITC Pub. No. 945 (1979), resulted in a determination of no injury because the domestic industry was healthy and the Commission found that the record did not show any loss of customers. In Certain Surveying Devices, Inv. In. 337-TA-68, USITC Pub. No. 1085 (1979), in which complainant also was essentially healthy and relied principally on a showing of lost sales, the Commission was divided on the injury question. Surveying Devices is clearly distinguishable from the present investigation in that the import penetration ratio in that case was substantially lower and the unit price of the domestic and infringing articles was low enough that loss of an individual sale was insignificant. Furthermore, the dissenting opinion argued that the evidence of lost sales was "less than convincing" and did not establish that lost sales had occurred.

(Cont'd)

> Id. at 42-44 (dissenting opinion of Commissioners Alberger and Stern). There is no evidentiary problem here; complainant bid on several of the lost sales and was the only domestic producer able to compete for the others. The loss of each sale denies complainant thousands of dollars in profit. Finally, in none of the three cases was there the additional factor of a virtually assured replacement market once customers switched to the imported product.

CD at 19-20

[redacted]

TA-72 Turning Machines RD

Although no inference of injury can be made solely from a finding of unfair trade practices, injury may be properly inferred from increased volume of sales of an accused product over a substantial period of time and continuing capacity for its importation. Reclosable Plastic Bags, 337-TA-22 at 14 (1977); PTFE Tape, 337-TA-4 at 19 (1976).

RD at 159

Given the volume of import sales since the introduction into the marketplace of the patented machine, and the apparent capacity of respondents to produce infringing machines at least at levels similar to recent years, if not at increased levels,... a reasonable inference may be drawn that the injury demonstrated by complainant is the direct result of importation and sales of respondents' infringing turning machine.

RD at 160

TA-74 Roto-Photo RD

Substantial injury to the domestic industry, or at least the tendency thereof, as a result of the importation of the accused articles has been established by . . . evidence. Substantial evidence of record demonstrates a prima facie showing, which stands unrebutted, of lost customers, lost sales, unemployment, and lost profits affecting the domestic industry to such a degree as to constitute substantial injury within the meaning of §337.

Since there are no directly competing domestic manufacturers of this product, and on the basis of [Complainant's Exhibit] 7, which sets out the large production capacity of the foreign respondent, . . . it is a fair inference to find that the malaise of the domestic industry is attributable to unfair foreign competition . . . . [I]t is not insignificant to note that once this investigation was instituted, and thereupon, [Respondent] Regent Export Co. stopped exporting to the United States . . . , sales of the complainant have increased.

RD at 13-14

[redacted]

104.1 "Substantial" Injury

In general

Criteria for injury include:

1). reduction in sales (See Meprobamate, T.C. Pub. 389);

2). idling of production facilities (See Meprobamate, T.C. Pub. 389);

3). decrease in employment (See Meprobamate, T.C. Pub. 389); and

4). decline in profitability (See Meprobamate, T.C. Pub. 389).

TA-2 Convertible Game Tables CD

5). importation of infringing parts which accounted for a substantial part of the apparent U.S. consumption of the product;

6). capacity and intention of the foreign manufacturer and/or importer to penetrate and capture a substantial portion of the U.S. market;

7). in the absence of an exclusion order, the importation of products would capture an ever-increasing share of the U.S. market; and

8). "Import competition had a damaging effect on the selling price of the domestic unit." Injury was also found to be established when imports prevented the licensing of a patent to other domestic firms or caused patentees to lose potential royalties.

[redacted]

TA-4 PTFE Tape RD

"The new amendments by the Trade Act of 1974 clearly retain the injury standard defined in the original act, despite the Administration's attempt to abolish the injury requirement completely. Therefore, previous rulings of the Commission and the CCPA with respect to the injury issue are clearly relevant and instructive as statutory interpretation."

RD at 16-17

"The Commission does not equate competition or the mere presence and sale of imported goods in the domestic market with a tendency to injure. The injury 'requirement' is separate and distinct from the 'unfair act' requirement, and requires an independent proof. In-the-Ear Hearing Aids, Tariff Commission Pub. No. 182 (July 1966); Sphyamomanometer, Tariff Commission Pub. No. 468 (January 1972).

RD at 17

"Only if the complainant alleges and proves substantial injury or tendency to substantially injure will the Commission grant relief under the Act. 'It must be remembered that §337 is not an extension of the patent laws and is not designed to protect patent rights as such.' In-the-Ear Hearing Aids, at 28."

RD at 17

(Cont'd)

"A showing of tendency to inflict future substantial injury satisfies the statutory requirement...." [See Prospective Injury]

"The test for a tendency to injure an industry substantially is comparable to that of likelihood of injury to an industry under the Antidumping Act of 1921...." [See Relation with Anti-Dumping Law]

RD at 19

"The standard of injury suggested by the statutory history is 'conceivable losses' of sales...." [See Prospective Injury]

RD at 20

Commissioners Bedell, Moore, and Parker agreed with this finding.

TA-5 Chain Door Locks CD

"Ideal provided sales and marketing figures to our staff in confidence and also introduced exhibits which tend to show a decline in sales of its relevant product lines in 1972, the year it alleges infringing imports began. Moreover, it asserts that during the period from 1967 to 1972...national sales...rose 18 percent per year. Ideal also asserts it has lowered prices, automated some functions, and substituted parts to compete with imports and that chain door locks as a result constitute a declining percentage of Ideal profits."

CD at 37

(Cont'd)

[redacted]

"On this record we find Ideal and Hartzell suffered substantial harm.... This harm consists of Ideal's demonstration...that its sales of locks manufactured under the patents in question dropped in 1972 and 1973...in the range of 15 percent.... At least at Ideal, a profitable product became substantially less profitable and also became a smaller share of Ideal's profits."

CD at 38-39

"Overall, the losses in sales are large enough that they may reasonably be assumed, without more, to have caused some 'substantial' belt-tightening at Ideal and Hartzell."

CD at 39

"The harm, as we have said, is Ideal's and Hartzell's reduction in sales. Ideal maintains the infringing imports had an 'important bearing' on the harm it has suffered...because its sales began to go down as imports arrived and continued to decline as they increased."

CD at 39

"The Chelleram imports are (or were) about half the price of Ideal's locks because they apparently are of lower quality and cost less to produce.... Low price is significant because it indicates that lost sales by the domestic industry to imports are likely when this price differential exists."

CD at 40

TA-35 Golf Balls CD

If the domestic industry has suffered substantial economic injury from the loss of sales and resultant loss of revenue by reason of the importation and sale of articles which infringe the claims of a U.S. patent, there is injury.

CD at 8

TA-39 Luggage RD

"The quantum or degree of harm to be proved by a preponderance of the evidence in order to substantiate a reason to believe that the imported infringing lugguage constitutes the effect or tendency to destroy or substantially injure the domestic industry can hardly be defined with precision. The requisite harm is clearly more than _de minimus_ (see _Steel Tubes_, TA-29); it is a probability or _prima facie_ showing based on a preponderance of the evidence available (_Chicory Root_, TA-27). Certainly it is _less_ stringent than the "immediate and substantial" standard applied by the Commission for determining whether a TEO should be recommended as a temporary relief remedy. _Lightweight Luggage_ at 3-4 (Statement of at Commissioners Sutton, Clubb and Young) and at 6 (Statement of Commissioners Leonard and Moore)."

RD at 45-46

[redacted]

TA-43 Trash Pumps RD

"The ratio of QP pump sales to the Hale pump sales averaged 1295% during 1975-1978 (first quarter). Such a substantial degree of domestic market penetration, which is apparently increasing, supports a claim of substantial injury. *Chain Door Locks*, TA-5, at 40; *Pantyhose*, Inv. 337-25, p. 7 (T.C. Pub. 471, 1972); *Articles Comprised of Plastic Sheets Having An Openwork Structure*, Inv. 337-29, p. 9 (T.C. Pub. 444, 1971); *Furazolidone*, Inv. 337-21, p. 20 (T.C. Pub. 299, 1969)."

RD at 55

TA-44 Roller Units RD

"While the statistics do not show an absolute drop in complainant's sales of the patented roller units, a substantial loss relative to potential sales, at least in 1977, may be reasonably inferred from the severely reduced increment of sales gain in 1977 compared with 1976. The fact that this relative sales decline occurred at the same time that the sales of imported infringing roller units increased by 168% suggests that the former was substantially if not primarily caused by the latter. See *Chain Door Locks*, TA-5, at 39-40."

RD at 34

TA-44 Roller Units CD

In adopting the RD finding of substantial injury, the Commission considered several factors:

1. Ratio of quantity of imported units sold to quantity of patented units sold by complainant exceeded 50%.

2. Complainant's unit production declined in last two years.

3. Evidence of large outstanding orders for infringing foreign product.

4. Complainant has been unable to increase its selling price in recent years to keep pace with rising production costs.

5. Because of imports, complainant has excessive productive capacity.

6. Evidence of potential lost sales to imports due mainly to the substantial price differential.

CD at 10

TA-45 Combination Locks RD

> "But mere presence of imported, infringing articles in the domestic market, much less a bare showing of foreign production capacity of the infringing articles cannot supply the necessary proof of injury unless these and other related factors, considered as a whole, establish a reasonable causal connection with substantial injury to the patent-holder. Likewise, a showing of tendency to injure, while not requiring proof of past or present injury, requires a clear showing of relevant conditions or circumstances from which probable or likely injury in the future can reasonably be inferred."

RD at 24

Whatever may be the difficulty of proving injury, particularly where foreign parties are involved, §337 makes no exception to its statutory requirements.

RD at 27

TA-45 Combination Locks CD

The Commission found no indication of substantial injury based on the following evidence:

1. lock imports constituted about 2% of complainant's production;
2. total sales are increasing despite a decline in domestic sales;
3. complainant's profits are "excellent";

(Cont'd)

4. no specific evidence of loss of a customer to respondent;
5. it is operating at 80% of capacity; and
6. it has not cut back its employment.

CD at 9

The Commission also commented on complainant's assertion that the infringing locks undersell domestic locks. While the Commission agreed that underselling was occurring, it stated:

> "...underselling in the absence of evidence of significant import penetration, lost sales, decline in profit, and so forth is not indicative, in our view, of the requisite effect of substantially injuring or tendency to substantially injure."

CD at 12

TA-56 Thermometer Sheath Packages CD

While the specific instances of lost sales are few, their presence, combined with the clearly superior marketing ability of respondents, strongly supports a finding of a tendency to substantially injure. Further, complainant persuasively argues that because specific lost sales are difficult to identify since Steridyne primarily sells to dealers who are directly competing with respondents, the overall picture of declining profitability is the important factor because it represents the lost sales to dealers who are in turn losing sales to respondents.

CD at 27

104.1

TA-60 Crankpin Grinders RD

Respondent's accused machine undersold the complainant domestically; however, this did not prevent a finding of substantial injury. "The fact that the price of Newell's machine does not undersell the machine sold by Landis domestically is only one factor to be considered in determining the injury issue. See Certain Combination Locks, 337-TA-45, at 9. (1979)."

RD at 60

Respondent contends that the domestic industry could not be injured prospectively, because complainant's backlog of orders put the time for delivery after the date of expiration of the suit patent. This factor did not prevent a finding of injury because delivery of most of the reserve order could be made prior to determination of the suit patent.

RD at 61

Respondent contended that orders placed before but not delivered until after expiration of the suit patent cannot constitute injury. The Administrative Law Judge finds this argument fallacious. However, the Commission did not rule on the issue (See CD). A sale is made so as to constitute an active infringement of a patent when the contract of sale is made irrespective of the time of delivery. Thus, any sale by respondent of an infringing machine on or before the expiration date of the suit patent is an unfair act or method of competition within the meaning of §337. Accord, Certain Welded Stainless Steel Pupe and Tube, USITC Inv. No. 337-TA-29, pp. 11-13 (1978) (sale of infringing

RD at 61

(Cont'd)

[redacted]

articles prior to intended importation in the United States constitutes unfair act under §337). *See also*, *Certain Numerically Controlled Machining Centers and Components Therefor*, ITC Inv. No. 337-TA-34 (1978), discussed in H. Kaye and P. Plaia, "Developments in Unfair Practice in International Trade", 61 Journal of Patent Office Society 115, 129-30 (1979).

In the circumstances of this case, both the unfair and substantial injury occur at the time the respondent receives and accepts orders (completed sales) for infringing machines, notwithstanding the actual date the machines are to be delivered. This is so because the alleged injury (e.g., adverse effect of lost orders on complainant's capital improvement, innovation, and skilled labor reserve programs) would impact the domestic industry not on the date of delivery or installation of the infringing machines, but rather as soon as it became clear that respondent, the infringing seller, and the domestic industry had made a sale.

Even where the full impact of a lost sale to respondent occurs after termination of the suit patent, such post-patent injuries are within the ambit of §337 protection because they are the direct result of the unfair act or method of competition in respondent's sale before expiration of the patent. The fact that the injury from the present unfair acts or competition may take place after expiration of the patent does not diminish the unlawful nature of the injury. *See* Order Denying Respondent's Motion for Summary Determination, *Certain Automatic Crankpin Grinders*, USITC Inv. No. 337-TA-60, at 7-8 (June 28, 1979) and authorities cited therein.

RD at 61-62

[redacted]

TA-67 Acceleration Tubes RD

A domestic company infringing a patent cannot defend by saying that the patent owner is economically strong, so that infringement of the patent should be overlooked. Here the injury to the domestic industry caused by the foreign importer is substantial, because of the amount of profit lost by [Complainant] as a result of [Respondent] sales. It is likely that the industry will be substantially injured in the future, because of the limited market, the capacity of [Respondent] to meet the total market demand, [Respondent's] lower prices, and the fact that several purchasers already have converted their systems to use [Respondent] tubes. A Section 337 violation should be found. It should not be necessary to show any more than that [Complainant] had or probably will have a substantial economic loss as a result of [Respondent] sales. In the absence of public interest factors not considered here, a foreign importer engaged in an unfair act against a domestic company should not be able to avoid an exclusion order merely by showing that the owner of the patent is dominant in the market.

The issue here is unlike the issue in a restraint of trade case, where consideration of the impact on competition, rather than on an individual competitor, would be appropriate. If a foreign company has engaged in an unfair act, the threshold of proof of substantial injury to the domestic industry should be much lower. It is difficult to justify the continuation of an unfair act by arguing that injury to the domestic industry was "relatively small" compared to the size of the infringing company.

RD at 32

104.1

TA-68 Surveying Devices CD

We do not believe that the principle of "conceivable lost sales " ennunicated in In Re Von Clemm dictates a finding of "tendency" to substantially injure. Although legislative history suggests a low threshold with respect to "tendency" language of §337, the draftsmen never meant to permit findings based on purely hypothetical injury. There must be some positive evidence that the unfair acts, if allowed to continue, will cause substantial injury in the foreseeable future. If we were to find a "tendency" in this case, the Commission would be forced to render affirmative determinations each time there was a handful of lost sales and a hypothetical possibility of imports increasing, even if all other relative criteria the Commission normally examines pointed away from a showing of injury.

(Dissenting Opinion of Chairman Alberger and Commissioner Stern)

CD at 44-45

TA-72 Turning Machines RD

The assumption that [Complainant] profit levels and prices are up, however, does not mandate a finding of no substantial injury. Given the recent upswing in the business cycle,...the need for income to maintain [Complainant's] extensive sales and service capacity and research and development, and the increased shipment rate with the commensurate decrease in backlog to maintain production and employment levels, these price and profit levels are not entirely unexpected. The profit levels, moveover, do not extinguish the fact that sales and royalties have been lost so as to jeopardize complainant's ability to weather economic difficulties of a downturn in the cyclical industry, (Certain Automatic Crankpin Grinders, 337-TA-60 at 16 (1979)), and to meet defense mobilization commitments. To prove injury, a party does not have to demonstrate gross or net losses or "show that it was on the brink of destruction." Furazolidone, 337-21 at 36 (T.C. Pub. 299 1969).

RD at 166

[redacted]

104.2 Prospective Injury

TA-4 PTFE Tape RD

"A showing of tendency to inflict future substantial injury satisfies the statutory requirement. *In re Von Clemm*, 229 F.2d 441 (C.C.P.A. 1955). The injury claimed can therefore be prospective. The relevant issue is whether there is a threat which is not only possible, but expected to cause substantial injury. *Self-Closing Containers*, Tariff Commission Pub. 55 at 17 (April 1962).

RD at 18

"Potential prospective injury can exist in a strong and growing industry, where the imports have a demonstrated ability to undersell the complainant's product. *Panty Hose*, Tariff Commission Pub. No. 471 (March 1972)."

RD at 18

"The standard of injury suggested by the statutory history is 'conceivable losses' of sales. *Trade Reform Act of 1973*, Report of the Committee on Ways and Means to accompany H.R. 10710, October 10, 1973, p. 78. However, this does not entitle complainant to relief based on his own conjecture and unsubstantiated allegations."

RD at 20

[redacted]

TA-22 Plastic Bags CD

While there was no present injury, there was evidence of the potential for serious injury in the future owing to the cost advantage and production capacity of respondents.

CD at 13
adopting RD at 58

TA-24 Exercising Devices RD

If a complainant has previously incurred expenses in patent infringement court actions, and is presently incurring expenses in pursuing its complaint at the Commission, these expenses will not be considered as contributing to injury because the Commission does not consider such expenses in assessing tendency to injure.

RD at 6

TA-30 Photocubes CD

Complainant suffered injury to its established business accounts by maintaining its established prices when the equivalent imported product was available at about 1/2 the price. There was a loss of some long-term customers who purchased many items from complainant's product lines. For this reason, the relevant domestic industry was in danger of incurring substantial injury, if not destruction, as a result of the unfair acts.

CD at 6
adopting RD at 13

TA-45 Combination Locks CD

Complainant's assertion that there is a tendency to injure the domestic industry--based on decline of complainant's domestic sales last year; the fact that there are nine producers of infringing locks in Taiwan; that these producers have substantial capacity to produce infringing locks; and that imported infringing locks undersell domestic locks--was not supported by the ALJ. The Commission agreed that these facts alone, especially in light of the fact that complainant's total sales have recently increased substantially, do not show an effect or tendency to substantially injure.

CD at 10-11

"Evidence of a foreign capacity, even if coupled with a large U.S. market does not show a tendency to injure absent a strong showing that foreign manufacturers intend to direct their capacity toward penetrating the U.S market. Such evidence of intent to penetrate the U.S market could consist of outstanding orders or offers to sell in the United States or the existence of past importers in the United States which have demonstrated an intent to continue importing, but there is no such evidence [here]."

CD at 11

104.2

TA-72 Turning Machines RD

Respondents' sales of infringing machines in the United States bring about a tendency to injure with respect to complainant's capacity to meet United States defense needs and commitments. Complainant, as a leader in the machine tool industry, is a company critically involved in defense production. The record indicates that when United States concerns for defense become acute, industries involved in defense production are dependent upon the production of [Complainant]. In these periods of "forced expansion", there is a need for companies involved in defense production to reorder types of machines previously purchased because of the companies' familiarity with them. For this reason, any initial lost sales to respondents would become magnified in times of expanded national defense by leading to increased numbers of lost successor sales.

Additionally, complainant's ability to participate in the proposed Trigger Order Program and Department of Defense order priority rating system could be impaired. The Trigger Order Program would require complainant in a national emergency to make at least half of its machine tool production available to the government or to industries designated by the government. The priority order system of the Department of Defense would require complainant to give to priority orders from defense contractors and government agencies expedited treatment and an early shipping date as required by the defense contractor. To the extent lost sales have negatively affected complainant's production capability were it called upon to meet defense related commitments, in a cyclical capital intensive industry there is a tendency for further injury to complainant.

RD at 167-68

[redacted]

105. Effect - Restrain or Monopolize Trade

In general

There need not be a domestic industry or injury unless the antitrust violation alleged required injury to an industry or party. §337 could apply whether or not there is a U.S. industry producing the article involved in an unfair method or act. The section is designed to protect the "public interest" in maintaining fair practices in trade.

Tractor Parts, Report to President on Inv. No. 337-22, T.C. Pub. 401, at A-45 (Dec. 14, 1971).

TA-7 Electronic Audio and Related Equipment RD

"Section 1 of the Sherman Act, like §337, prohibits restraints of trade. In a landmark decision handed-down in 1911, the Supreme Court clearly held that only *unreasonable* restraints of trade were within the reach of §1 of the Sherman Act. *U.S. v. Standard Oil*, 221 U.S. 1. There is no reason to believe that the Supreme Court would hold differently if it had the opportunity to examine the comparable restraint of trade language contained in §337. Therefore, it is my opinion that only unreasonable restraints of trade are condemmed as unlawful under §337."

RD at 31

"In conclusion, I have scrutinized other antitrust provisions, particulary §1 of the Sherman Act and §5 of the FTC Act and found that neither the letter nor the spirit of such laws has been violated.... My reasons for such scrutiny are founded upon the obvious semantic similarity between the above sections and §337."

RD at 35-36

TA-23 Color T.V. Sets CD

The ITC disagreed with the Department of Justice's interpretation of *Continental Ore Co.* v. *Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962) and interpreted *Continental Ore* to hold that a "person engaged in private commercial activity in the exercise of a discretionary power conferred upon that person by a foreign government can be subject to the antitrust laws of the U.S. for that activity."

CD at 7

TA-23 Color T.V. Sets CD

The ITC found that it has jurisdiction to investigate dumping and bounties when such methods were used to carry out unfair acts.

CD at 5

"The Commission is of the view that §337(b) imposes procedural, not substantive, obligations upon the Commission in the conduct of its §337 investigations."

CD at 12

TA-27 Chicory Root CD

"Although there are no judicial precedents involving nonpatent cases arising under §337, judicial determinations under other antitrust and unfair competition statutes are persuasive in determining what constitutes an unfair method or act under §337." The Commission thus adopted the recommendation of the ALJ to use the antitrust laws and practices thereunder as a standard for "unfair methods of competition and unfair acts."

CD at 9

See also Electronic Audio Equipment, TA-7, at 4, and concurring statement of Chairman Leonard, at 5.

TA-29 Steel Tubes RD

"[T]he Presiding Officer is of the opinion that §337 requires more than a theoretical or potential injury which is the focus of some court discussions regarding "restraint of trade" in the domestic trade context. The statute clearly requires, under its injury language, an "effect or tendency... to destroy or substantially injure a[n] [domestic] industry," which is a rather heavy burden of proof. If "restraint of trade" is interpreted to permit a comparatively light burden of proof on the injury issue, the injury language will become meaningless.

RD at 45

TA-29 Steel Tubes CD

Complainant's argument that an inference may be derived that the pricing practices found by the Commission necessarily cause injury--the so-called "double inference" test--was rejected:

> "Section 337 will not support the double inference. It contains a separate requirement of injury, either to competition or to competitors. The party with the burden of proof must show by substantial, probative and reliable evidence that either injury or a restraint of trade is taking place, or that there is a tendency toward them. A restraint of trade is demonstrated affirmatively by any number of factors including the commerical context."

CD at 35

TA-29 Steel Tubes CD

Section 337 is not merely a statute to protect competitors but also a statute to preserve competition .

CD at 36

"The language 'tendency... to... restrain trade and commerce in the United States...,' requires the prohibition of unfair methods and acts which, unless arrested in their incipiency, could result in full blown restraints of trade."

CD at 38

See also §5 of the FTC Act which parallels this statutory language.

For additional information and a good overview of other provisions of law which relate to §337 actions, see Wayne Herrington's "A Final Note - Statutes in Pari Materia with §337: An Additional Source for Determining Legislative Intent," International Trade Commission Patent Practice D-1 (ed. Herrington 1979).

TA-69 Cast-Iron Stoves RD

It is believed that the phrase "restraint of trade" in §337 was intended to be construed as that term is used in the antitrust laws. Respondents' unfair and deceptive practices in selling their stoves made it more difficult for complainants to sell their own stoves, because potential customers were buying the cheaper copies, but respondents have not directly prevented the sale of complainants' stoves nor interfered with complainants' right to compete in an open market place.

RD at 15-16

106. Other Provisions of Law

[redacted]

106.1 Antitrust Laws

TA-7 Electronic Audio and Related Equipment RD

"The *antitrust* law pertaining to a manufacturer's or distributor's unilateral refusal to deal begins with *United States* v. *Colgate & Co.*, 250 U.S. 300 (1919). In *Colgate*, the Supreme Court held that a mere refusal by a manufacturer to deal with discounters is, absent an allegation of unlawful agreement, not a violation of the Sherman Act."

RD at 26

"Thus, *Colgate* stands for the principle that a businessman is *free to select the customers* he wishes, provided only there is no intention to create or maintain a monopoly. The *Colgate* doctrine remains good law."

RD at 27

TA-27 Chicory Root RD on Temporary Relief

Complainant in this case obviously means to assert violations in the nature of violations of the antitrust laws of the United States 15 USC §§1, 2. Nothing in §337 limits the Commission to the specific requirements applicable under the antitrust laws. Indeed, the C.C.P.A. held under the predecessor statute that the Commission was not necessarily limited to the specific requirements of those laws in administering the former §337.

(Cont'd)

[redacted]

///

> In Re Von Clemm, 229 F.2d 441 (CCPA 1955)). Nevertheless, at this stage in the development of §337, this Presiding Officer is not in a position to measure whether there is a violation of §337 against abstract policies. Therefore, in determining whether there is reason to believe that there presently exists a violation of the statute in this case, the Presiding Officer will use the antitrust laws and the practice under them as the standard for 'unfair methods of competition and unfair acts, "an unfair act will, in this case, consist of a classical antitrust violation.

RD at 6-7

106.11 Clayton Act

TA-25 Above Ground Swimming Pools RD

Section 2 (a) makes it unlawful for any person "engaged in commerce" to discriminate in price in sales of "commodities of like grade and quality . . . where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination."

The courts have distinguished between "primary-line injury" and "secondary-line injury" in determining the effects of price discrimination or competition. Primary line injury refers to the effect of price discrimination on the competitors of the discrimination . . . .

Price discrimination with primary line injury often involves two geographic markets . . . . In geographic price discrimination cases, a discriminator relies upon a very strong position in one market to subsidize his predatory pricing in a second market to weaken or eliminate local competitors. See S. Rep. No. 698, 63d Cong., 2d Sess. 3 (1914).

RD at 68

Although the Robinson-Patman amendment of §2 was concerned with secondary line injury, or the effect of price discrimination on competition between a favored buyer and the competitors of the favored buyers, the Clayton Act provisions concerning primary line injury were kept in the amended law.

(Cont'd)

[redacted]

106.11

In a recent decision in the U.S. District Court for the Eastern District of Pennsylvania, Judge Higginbotham ruled that the Robinson-Patman Act did not reach geographical price discrimination where the alleged violation involved import transactions in the U.S., on the one hand, and transactions which occured wholly within foreign countries on the other. Zenith Radio Corp. v Matsushita Elec. Ind. Co. Ltd, 402 F. Supp 244, 251 (1975).

RD at 69

With regard to "secondary line injury," §2(a) prohibits charging different prices to different purchasers of like grade or quality commodities in similar transactions and under similar circumstances. See FTC v. Morton Salt, 334 U.S 37 (1948).

TA-29 Steel Tube

RD

"[T]he legislative intent of domestic trade regulation has a different focus than §337 and therefore complete reliance on domestic cases for a definiton of unfair acts and the inferences logically flowing therefrom is inappropriate. Judge Morgan's comments in International Air point this out:

> The [Clayton] Act was primarily aimed at national chains that enter a locality and crush a more efficient local concern by cutting prices below cost and subsidizing local losses with excessive profits gleaned in a noncompetitive period. International Air Industries, Inc. v. American Excelsior Co., at 720-21."

RD at 46

106.12 Sherman Act

TA-25 Above Ground Swimming Pools RD

Under §2, single firm monopolization requires evidence of both the attainment of monopoly power and an intent of monopolize. Under Complainant's theory of this investigation, Asahi would employ a policy of predatory pricing to monopolize a nationwide AGSP market. Although the Notice of Investigation precludes finding a violation of §337 on this basis, the evidence shows that Asahi has not done so and, more significantly, "probably could not do so, even if desired, as it has not achieved a dominance of the market necessary to create a monopoly." *Hiland Dairy, Inc*. v. *Kroger Co*., 402 F.2d 965, 975 (1968), *cert*. *denied* 395 U.S. 961 (1969).

RD at 62-63

[redacted]

TA-69 Cast-Iron Stoves CD

Although the Commission looks to the Sherman Act for guidance in its Section 337 practice, it does not adopt all of the analogous case law. There are some differences in the wording of the two statutes . . . .

The Sherman Act requires that there be a contract, combination or conspiracy in restraint of trade. Thus, it is necessary to find that at least two parties are acting in concert to find a violation under the act. Section 337 . . . requires only that a restraint be shown and contains no requirement of concerted action. It is certainly possible to conceive of the same level of restraint by one company acting alone. However, it obviously is more difficult to show that one company acting alone has the market power to restrain trade than to show market power if there is concerted action. Where an unfair course of conduct is independently pursued by a number of competitors, that conduct may have a cumulative negative effect on competition even though such conduct is not the product of an agreement.

CD at 6

In the present case there has been no showing that the respondents acted in concert or that any cumulation of individual restraints is suppressing competition in any major respect. No economic testimony was presented to show that the conditions of competition were adversely affected by the unfair acts. Many firms continue to supply consumers with stoves, and there is no reason to think that the competition in the industry will lessen. We agree with the ALJ that the record does not establish that the respondents' acts have the effect or tendency to restrain trade or commerce.

CD at 7-8

106.2 Lanham Act

TA-55 Novelty Glasses RD

"Use of a trademark in commerce is the common law requirement for acquisition of a mark. The Lanham Act does not change this requirement but merely recognizes marks acquired through use and provides for federal registration. Radio Shack Corp. v. Radio Shack, Inc., 180 F.2d 200, 84 USPQ 410 (7th Cir. 1950), Weiner King, Inc. v. Weiner King Corp., 190 USPQ 469 (D.C. N.J. 1976)."

"Common law marks, however, can enjoy protection of the Lanham Act. Rare Earth, Inc., v. Hoorebeke, (S.D. N.Y. 1975) 401 F. Supp. 26, 37."

"Use by respondents of complainants' products' photographs to promote sales is also actionable under the Lanham Act. Truck Equipment v. Fruehauf, 536 F.2d 1210, 1221 (8th Cir. 1976); Matsushita Elec. Corp. v. Solar, 381 F. Supp 64, 67 (S.D. N.Y. 1974).

RD at 8

TA-55 Novelty Glasses CD

Common law trademarks can receive protection under the Lanham Act, but only if the trademark has met the criteria necessary to become a common law trademark. Such criteria are either that the mark is distinctive, i.e., an arbitrary mark or one created for the express purpose of functioning as a trademark, or that it has acquired a secondary meaning. See Joshua Meier Co. v. Albany Novelty Mfg. Co., 236 F.2d 144 (1956); L'Aiglon Apparel v. Lana Lobel, Inc., 214 F.2d 649 (1954); and Scarves By Vera, Inc, v. United Merchants & Manufacturers, Inc. 173 F. Supp. 625 (1959).

CD at 12

106.2

TA-68 Surveying Devices CD

The basic test of both statutory and common law trademark infringement is "likelihood of confusion ." See 2 McCarthy, Trademarks and Unfair Competition, §23:1; Safeway Stores Inc. v. Safeway Properties, Inc., 307 F.2d 495 (2d Cir. 1962). One need not show actual confusion, but a showing of actual confusion is strong proof of the likelihood of confusion. Coca-Cola Co. v. Clay, 324 F.2d 198 (C.C.P.A. 1963); McCarthy supra, at §23:2. However, evidence of actual confusion of a very limited scope may be dismissed as de minimus. McGraw-Hill Publication Co. v. American Aviation Associates, 117 F.2d 293 (D.C. Cir 1940). Further, likelihood of confusion must be shown by more than an "occasional misdirected letter." Everest & Jennings, Inc. v. E. & J. Mfg. Co., 263 F.2d 254 (9th Cir. 1958). Finally, lack of actual confusion over a period of time has been regarded as evidence of lack of a likelihood of confusion. Smith v. Tobacco By-Products & Chemcial Corp., 243 F.2d 188 (C.C.P.A. 1957); McCarthy, supra at §23:3.

CD at 21

TA-69 Cast-Iron Stoves RD

If the design is nonfunctional, as it is here, "imitation may be forbidden where the requisite showing of secondary meaning is made. Under such circumstances, since effective competition may be undertaken without imitation, the law grants protection." Bliss v. Gotham Industries, Inc., 316 F.2d 848, 855, 137 USPQ 189 (9th Cir. 1963).

The necessary elements to establish secondary meaning are described as follows:

> [A] name, mark, or symbol by long and exclusive use and advertising by one person in the sale of his goods . . . may become so associated in the public mind with such goods . . . that it serves to identify them and distinguish them from the goods . . . of others. When such an association exists, the name, mark, or symbol is said to have acquired a "secondary meaning," in which the original user has a property right which equity will protect against unfair appropriation by a competitor." Shopper Fair of Arkansas, Inv. v. Sanders Co., 328 F.2d 496, 140 USPQ 637, 628-40 (8th Cir. 1964).

RD at 10

[redacted]

106.3 FTC Act

TA-7 Electronic Audio and Related Equipment RD

"My examination of opinions under §5 reveals that a unilateral refusal to deal, absent the showing of a Sherman contract combination or conspiracy, is not unlawful under FTC §5. However, §5 can be invoked not only against full-blown combinations which restrain trade but also 'incipiency combinations which could lead ... to trade restraints and practices deemed undesirable'. *Fashion Origination's Guild of America*, *Inc*., v. *FTC*, 312 U.S. 457 (1941) at 466."

RD at 34-35

"[I]t is still recognized that there must be a reasonable basis for concluding that the undesirable conduct will eventually blossom into a restraint of trade. This prerequisite established by the courts under §5 'incipiency' cases in equally applicable to the 'tendency' lanaguage in §337."

RD at 35

TA-7 Electronic Audio and Related Equipment CD

The Commission referred to §337 as not unlike §5 of the FTC Act; the section was intended to cover certain "unfair methods of competition which are deemed to be violations of other antitrust regulations." At the same time, the Commission recognized the jurisdictional limitation of §337 as being limited to circumstances involving imported merchandise.

CD at 4
(adopting RD at 31)

TA-25 Above Ground Swimming Pools RD

The Commission first referred to the parallelism between the language of §337 and that of §5 of the FTC Act in 1922:

> §316 [predessor of 337] extends to import trade practically the same prohibition against unfair methods of competition which the FTC Act provides against unfair methods of competition in interstate commerce. Sixth Annual Report of the U.S. Tariff Commission (Washington, D.C. 1922), at 3.

RD at 63

The breadth and meaning of the phrase "unfair methods of competition" in §5 of the FTC Act has been left to that agency to define from its regulatory experience. See FTC v. Motion Picture Advertising Service Co., Inc., 344 U.S. 392 (1953). The phrase as used in §337 could encompass the experience of the FTC with §5. See generally In re Von Clemm, 229 F.2d 441 (1955).

RD at 63-64

TA-29 Steel Tubes RD

The broad language in §337 proscribing "unfair methods of competition and unfair acts" is almost identical to the sweeping language found in §5 of the Federal Trade Commission Act (15 U.S.C. 45). That statute, which declares unlawful "unfair methods of competition in commerce, and unfair deceptive acts or practices in commerce," was interpreted by Justice Douglas in Federal Trade Commission v Motion Picture Adv. Co., 344 U.S. 392 (1952) at 394, as follows:

(Cont'd)

106.3

The "unfair methods of competition," which are condemned by §5 of the Act, are not confined to those that were illegal at common law or that were condemned by the Sherman Act. Federal Trade Commission v. Keppel & Bro., 291 U.S. 304. Congress advisedly left the concept flexible to be defined with particularity by the myriad of cases from the field of business. Id., pp. 310-312. It is also clear that the Federal Trade Commission Act was designed to supplement and bolster the Sherman Act and the Clayton Act (see Federal Trade Commission v. Beech-Nut Co., 257 U.S. 441, 453) -- to stop in their incipiency acts and practices which, when full blown, would violate these Acts (see Fashion Guild v. Federal Trade Commission, 312 U.S. 457, 463, 466)--as well as to condemn as "unfair methods of competition" existing violations of them. See Federal Trade Commission v. Cement Institute, 333 U.S. 683, 691.

RD at 37-38

TA-29 Steel Tubes CD

"Both the legislative history and pre-1922 judicial gloss on §5 indicate that the FTC Act was intended to stop trade restraints and other undesirable methods of competition in their incipiency."

See Remarks of Senator Cummins (Chairman of committee which reported the bill) at 51 Cong. Rec. 11455 (July 1914); FTC v. Gratz, 253 U.S. 421 at 427, 435 (1919); and U.S. Senate Committee on Finance, Report to Accompany H.R. 7456, S. Rept No. 595, 67th Cong., 2d Sess., at 3.

CD at 38-39

106.3

TA-55 Novelty Glasses RD

Simulation of a competitor's advertising has long been considered a violation of §5 of the FTC Act (15 U.S.C. 45). In re J. Merrell Redding, 14 FTC 32 (1930); In re Sam Silverman, 5 FTC 294 (1922).

RD at 8

106.4 Antidumping Act

§337 (b) (3)

"(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that the matter may come within the purview of §303 or of the Antidumping Act, 1921, it shall promptly notify the Secretary of the Treasury so that such action may be taken as is otherwise authorized by such section and such Act.

TA-4 PFTE Tape RD

"The test for a tendency to injure an industry substantially is comparable to that of likelihood of injury to an industry under the Antidumping Act of 1921, as amended. In both cases, the legislation seeks to protect domestic industries from unfair competition which proves a substantial threat for the future. A finding that an industry is 'likely' to be injured should be based upon factors which are 'clearly foreseen, substantive, and imminent; the findings may not be based on allegation, conjecture or possibility.' Steel Reinforcing Bars from Canada, Tariff Commission Publ. 22, at 14 (March 1964)."

RD at 19

TA-23 Color T.V. Sets CD

The legislative history shows that §337 was meant to embrace dumping and all unfair methods of competition and unfair acts in the importation of articles, or in their sale. §337(b)(3) merely provides for notification of the Treasury Department. "[I]t's not a substantive limitation on the Commission's jurisdiction."

CD at 10

"The allegations in this investigation involve matters which are considerably broader than those clearly within the purview of the Antidumping Act. . . "

CD at 12

106.4

TA-25 Above Ground Swimming Pools RD

Traditionally, dumping has been defined as "price discrimination between national markets." *See* Viner, *Dumping: a Problem in International Trade* (1923).

RD at 65

The first United States law directed at dumping was the Revenue Act of 1916.

In brief, the Investigative Staff argued that the Presiding Officer could find that Asahi has sold AGSP at prices low enough to be considered as made in violation of the 1916 Act, and therefore, of §337....§210.12 of the Commission's Rules preclude such a finding. Analysis of the record indicates that there was no market of any consequence for Asahi AGSP in Japan. To find that Asahi sells the complained of AGSP in the U.S. "at a price substantially less than the actual market value or wholesale price of such articles at the time of exportation of the U.S., *in the principal markets*...*of other foreign countries to which they are commonly exported* (emphasis added) requires that the actual market value or wholesale price in the prinicipal third-country markets be established."

RD at 66-67

TA-29 Steel Tubes CD

The Commission disagreed with respondent's contention that the "investigation ought to be dismissed or suspended because a current investigation under the Antidumping Act of 1921 and this investigation are duplicative."

The Commission pointed out that quite a few differences exist between these two acts and their proceedings such as:

1. Treasury looks at a six month period, while ITC looks at a longer, overall pattern.
2. ITC conducts an adversary proceeding, while Treasury investigations under Antidumping Act are not adversarial in nature.
3. In §337, an element of intent is a significant factor, while intent is not applicable in the Antidumping Act.
4. Question of harm is quite different--§337 issues are much broader, looking to "effect or tendency...to restrain or monopolize trade and commerce in the U.S."

CD at 13-16

200. Procedural Elements

201. Time Limits

"(b) INVESTIGATIONS OF VIOLATIONS BY COMMISSION; TIME LIMITS.-
(1) The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative. Upon commencing any such investigation, the Commission shall publish notice thereof in the Federal Register. The Commission shall conclude any such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication of notice of such investigation. The Commission shall publish in the Federal Register its reasons for designating any investigation as a more complicated investigation. For purposes of the one-year and 18-month periods prescribed by this subsection, there shall be excluded any period of time during which such investigation is suspended because of proceedings in a court or agency of the United States involving similar questions concerning the subject matter of such investigation.

TA-25 Above Ground Swimming Pools CD

The Staff filed a motion for an extension of time within which to hold the hearing. Three days later, the ALJ certified the motion to the Commission recommending that it be granted, and one week later the Commission granted the motion.

CD at 3

TA-36 Plastic Fasteners CD

Commission affirmed RD for a 30-day extension for completion of the hearing after a suspension was lifted ,and the investigation was resumed pursuant to 19 CFR 210.41(e)(1).

CD at 2

201.1 More Complicated Cases

TA-23 Color TV Sets CD

Respondents requested a designation of "more complicated" on the basis that the same merchandise was being investigated by the Treasury Department under the Anti-dumping Act which, respondents alleged, made a §337 proceeding burdensome and duplicative. However, the ITC denied the request.

CD at 5

(Later, the ITC did designate this investigation as more complicated.)

TA-40 Certain Monumental Wood Windows CD

A motion was filed requesting a designation of the investigation as more complicated. In denying the motion, the Commission noted that the Senate Finance Committee criteria (See S. Rep. 1298 at 194) were not met.

TA-42 Electric Slow Cookers CD

This proceeding has acquired an "involved nature owing to...difficulty in obtaining information...." Rule 210.15 (19 CFR 210.15). Whether such difficulties arise from the uncertainty that might have inhered in our rule or an actual difficulty in obtaining this information, the fact is that difficulty exists to the extent that the investigation has become substantially more complicated than we or any of the parties originally anticipated. By declaring the investigation more complicated, the total life of the case is extended by six months. The Commission believes it is reasonable that the presiding officer would be able to complete whatever further taking of evidence is necessary and prepare a new recommended determination in 90 days. Under the circumstances this appears to us to be a reasonable allocation of the extended time in this investigation.

CD at 10

TA-50 Synthetic Gemstones CD

The Commission found that the record did not support a designation of the investigation as more complicated, and the motion to designate it as such was denied. §337(b)(1) does not provide criteria for the designation of an investigation as more complicated. However, the Senate Report listed criteria to be considered:

"The Committee intends for the term 'more complicated investigation' to refer to investigations which are of an involved nature due to subject matter, difficulty in obtaining information, or large number of parties involved."

(S. Rep. 1298, 93d Cong., 2d Sess. at 194 (1974)).

In Synthetic Gemstones, the Commission Investigative Attorney argued that the procedural aspects of the investigation were complex to a certain degree and that some accommodation should be made to provide the parties with additional time in which to complete the hearing. The Commission believed that a workable accommodation was to provide the parties with additional time for fact finding and a hearing. As a result, the hearing was held more than seven months into the investigation, even though the rules require that the hearing be completed within seven months.

CD at 18

In rejecting the ALJ's request for labeling this case more complicated, the Commission provided an ITC background in rule 210.15 motions:

B. The Application of CRPP Section 210.15 Since 1974.
We have granted CRPP Section 210.15 motions on two

> occasions since the enactment of the Trade Act of 1974. In Certain Color Television Receiving Sets (Investigation No. 337-TA-23) (hereinafter "Color Televisions"), the involved nature of the subject matter at issue, difficulty in obtaining information, and the number of parties all justified designating the investigation "more complicated." Likewise, in Doxycycline (Investigation No. 337-TA-3) we granted a CRPP Section 210.15 motion due to the voluminous discovery, difficulty in obtaining information, and complexity of issues raised.
>
> We have denied CRPP Section 210.15 motions on several occasions, including Certain Monumental Wood Windows (Investigation No. 337-TA-40) (hereinafter "Wood Windows"), and Certain Apparatus for the Continuous Production of Copper Rod (Investigation No. 337-TA-52) (hereinafter "Copper Rod"). As the Commission Investigative Attorney has noted in opposing Respondents's motion to make "more complicated" in this investigation, "in cases much more complicated than the present one, similar motions were not granted (citing Wood Windows and Copper Rod)." The instant motion is like those denied in Wood Windows and Copper Rod; we could not seriously maintain that the record in this investigation has become "more complicated" and meets the Senate Finance Committee criteria referred to above as was the case in Color Televison and, more recently, Doxycycline.

CD at 19

202. Suspension of Proceedings

In general

Concurrent litigation in the courts or in another agency may be grounds for the Commission to suspend its proceedings. Many proceedings before the ITC have involved concurrent litigation but, in most cases, there has been no suspension. Since *Furazolidone* (T.C Pub. No. 299, 1969), the Commission has a history of not suspending an investigation where there is concurrent litigation.

The first suspension occurred in *Doxycycline* (337-TA-3) in which several injunctions were issued. The second suspension came as a result of a CCPA injunction --the first injunction issued in the history of the court. (*Import Motors Ltd.*,v. *U.S.I.T.C*, 530 F.2d 937, 188 USPQ 102 (C.C.P.A. 1975)). The third suspension, a patent-based complaint, was filed while a concurrent proceeding was pending in federal district court on alleged patent infringment. The Commission suspended its investigation, but set a date certain for the suspension to be lifted. (*Color T.V. Sets*, 337-TA-23).

TA-3 Doxycycline CD

The ITC issued a notice on August 13, 1975, voluntarily suspending its investigation after a federal district court held the pertinent patent to be invalid in a decision on a motion for summary judgment. (*Pfizer* v. *International Rectifier*, 186 USPQ 551 (D. Minn. 1975)).

However, *Pfizer* was reversed on appeal and remanded. 583 F.2d 180, 190 USPQ 273 (8th Cir. 1976). CD at 6

(Cont'd)

[redacted]

The legistative history of §337 suggests that Congress intended the Commission power to revolve around the ability to prohibit imports or control the conditions under which importation is permitted. §337 was not designed to permit a broad exercise of equitable jurisdiction over goods in the domestic stream of commerce and absent some extraordinary circumstances, prospective relief against imports will usually be sufficient to achieve the purpose of the statute.

(Concurring opinion of Vice Chairman Alberger)

CD at 15

TA-5 Chain Door Locks RD

The Commission believes that its subject matter and personal jurisdiction are broad because §337(b) provides that the Commission shall investigate any alleged violation of this section on complaint, under oath or upon its initiative (Emphasis added).

RD at 16

TA-23 Color TV Sets CD

"Aside from the expressed statutory authority contained in section 337(b)(1), it would appear that the Commission also has inherent authority to exercise its discretion to suspend a section 337 investigation if it determines that: (1) continuing the investigation would impose undue hardship on one or more parties before the Commission where such hardship might result in a lack of due process; (2) a conservation of Commission resources in manpower, budgeting, and financing is warranted; and (3) there are similar questions of law involving similar parties, industries, and articles.

There are at present other investigations pending under sections 201 and 603 of the Trade Act which are similar in many respects to investigation No. 337-TA-23. There is an identity of parties. The same articles, i.e., television receivers, and the same industries are involved in these investigations. For example, predatory pricing schemes, the subject of the 337 investigation, are closely related to schemes to fix prices and efforts to sell television receivers at prices less than actual market value of wholesale prices, both of which are the subject of the Commission's section 603 investigation. In addition, the Commission has to consider issues of injury to the domestic industry in both the section 201 and 337 investigations."

CD at 19

TA-25 Above Ground Swimming Pools CD

"Since in this case, the hearing was about to take place in which both parties were on notice that predatory pricing would be an issue and there are substantial questions as to the usefulness for this §337 case of the evidence which might be available to the Commission as a result of the proceedings before the Department of the Treasury, the Commission determined that suspension was not necessary."

CD at 3

TA-29 Steel Tubes RD

Respondents moved for suspension of §337 investigation after the Treasury Department re-opened a discontinued anti-dumping investigation. The suspension request was denied. The ALJ determined that no undue burden would result, the timing of the cases would not be likely to coincide, and the antidumping investigation would not be duplicative of the ITC proceeding.

RD at 9

TA-36 Plastic Fasteners Notice of Suspension

The ITC affirmed the ALJ's recommendation and ordered suspension of the investigation pursuant to 19 U.S.C. 1337(b)(1). The suspension was to continue until such time that certain physical exhibits in the custody of the District Court for S.D.N.Y. (received in evidence in the case of Dennision Mfg. Co. v. Ben Clements and Sons, Inc., 75 Civ. 979 (CES)) would become available to the ALJ for a period of at least five months.

Notice at 1

TA-37 Skateboards CD
(On Remand from CCPA)

The Commission has the authority to suspend this investigation. (19 U.S.C. §1337(b)(1)). Unfortunately, neither the statute nor the legislative history identifies specific public interest factors to be considered in determining whether to suspend a particular §337 proceeding. In contrast, in considering the issuance of exclusion or cease and desist orders, §337(d),(e), and (f) require the Commission to take into account the impact such measures might have on the public health and welfare, the production of like or directly competitive articles in the United States, and U.S. consumers. [T]hese considerations are also appropriate in determining whether suspension of a particular §337 prooceeding is in the public interest. See *Certain Poultry Disk Picking Machines and Components Thereof*, 337-TA-78.

[P]ublic interest considerations should lead the Commission to suspend this investigation until the concurrent court proceedings now before the federal courts have produced a final judgment regarding the validity of the Stevenson patent. The Commission's consideration of the public interest that Congress intended to be paramount in §337 decisions must not be abdicated. It is important to keep in mind that §337 is a trade statute. It is not a patent statute

(Cont'd)

> in which a remedy issues automatically upon a finding that a valid and enforceable patent has been infringed. Trade discrimination, here the exclusion of foreign competitors, undoubtedly affects the conditions of competition in the U.S. economy and until such time as the courts resolve the issue of the validity of the Stevenson patent, the public interest is not served by fostering the trade discrimination that would inevitably result from the issuance of an exclusion order.
>
> CD at 10, 11

(Dissenting Opinion of Commissioner Stern)

203. ITC Discretion

TA-23 Color TV Sets CD

The Commission has no authority to decide on policy grounds whether to defer jurisdiction. Once a complaint is filed, the Commission shall investigate (19 USC 1337(b)(1)) and shall determine if a §337 violation exists (19 USC 1337(c)). The ITC may only consider policy when deciding upon issuing appropriate relief.

204. Remedies

TA-1 Electronic Pianos CD

Reasons for no exclusion: First, the interpretation upon the claim coverage has been appealed to the 5th Circuit. There is likelihood that the claim coverage will be limited. Second, there is a court injunction so there is no need for an exclusion order. Injunction is in personam rather than in rem, but all known importers were before the court and were enjoined.

(Statement of Commissioner Bedell and Vice Chairman Parker)

CD at 11-12

TA-3 Doxycycline CD

The Commission has only powers which are delegated to it by the statute. It has no broad general equity powers to fashion a remedy it thinks best irrespective of how one may perceive the merits.

(Opinion of Commissioners Parker and Bedell)

CD at 8

Complainant urged the Commission to issue an in rem exclusion order under §337(d) and, in addition, a cease and desist order against specific respondents under §337(f) which provides: In lieu of taking actions under (d) or (e), the Commission may issue... an order directing such person to cease and desist from engaging in the unfair methods or acts involved.... "In lieu of" says you can't do both.

TA-29 Steel Tubes CD

While §337 states, " The Commission shall investigate...," in Steel Tubes (337-TA-29), the ITC stated that "the Commission may investigate." For the first time, the ITC conducted a "show cause" hearing to look into whether a formal investigation should be initiated. The complainants succeeded and the Commission ordered institution of the Tubes investigation.

CD at 1

TA-40 Monumental Wood Windows RD

"[A]finding that there is no present violation of §337 should not necessarily mean that an exclusion order or order to cease and desist should not be issued. Discontinuance of an illegal practice should not be a defense. If a respondent discontinued an illegal practice during the course of an investigation, and this were a defense, the respondent could force a termination of the investigation and later resume the illegal practice."

RD at 4

TA-37 Skateboards CD
(On Remand from CCPA)

Commissioners Moore and Bedell note that, in their view, the Commission, as distinct from the President, ought not to concern itself with potential trade discrimination against foreign infringers. Section 337(g)(2) provides that the President may disapprove a Commission remedial order "for policy reasons." In commenting on that section, the Senate Finance Committee recognized that "the granting of relief against imports could have a very direct and substantial impact on United States foreign relations, economic and political." Trade discrimination, clearly relates to "United States foreign relations, economic and political," and is, therefore, a factor to be considered by the President under §337(g)(2) rather than by the Commission under §337(d).

CD at 9

143

TA-54 Multicellular Plastic Film CD

"Because this case involves a process patent rather than the product patent typically at issue... issuance of an exclusion order may present difficulties of administration for the U.S. Customs Service." The Commission foresaw the problem of the inability to distinguish, either visually or by the lab tests, the film infringed by the patented process from other film made in non-infringing processes. The Commission thus ordered that persons desiring to import multicellular plastic film may petition the Commission to institute further proceedings to determine whether the film sought to be imported should be allowed entry into the U.S. This order effectively placed the burden establishing non-infringement upon would-be importers.

CD at 23

TA-69 Cast-Iron Stoves CD

Complainants and the IA [investigative attorney] argue that exclusion orders are the only effective means to prevent other foreign companies or other importers from entering the U.S. market with copies of stoves that have been found to violate Section 337. The exclusion orders that they propose contain pictures and descriptions of the complainants' products and the changes which are required to make them acceptable. These detailed exclusion orders are designed to enable Customs officials to easily identify and exclude infringing stoves while allowing noninfringing stoves to enter the United States.

Cease and desist orders are urged by Complainants and the IA for domestic respondents since the exclusion orders will not prevent them from engaging in further unfair acts. This is because these respondents are accused of violations that occurred in the United States subsequent to but related to importation.

CD at 14-15

In this case, there are four distinct unfair acts or unfair methods of competition --false advertising, passing off, common law trademark infringement, and registered U.S. trademark infringement. Each of these separate acts requires application of separate remedies. Our decision in this case is consistent with the intent of Congress that the Commission remedy should be that which is necessary to prevent the unfair acts from continuing. Resort to an all-encompassing exclusion order would constitute an excessive form of relief at this time for several of the violations we have found. For each different count, there are different specific allegations made against each respondent as to how each respondent has violated the statute.

CD at 15-16

204.1 Exclusion Orders

§337(d)

"(d) EXCLUSION OF ARTICLES FROM ENTRY - If the Commission determines, as a result of an investigation under this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

TA-1 Electronic Pianos CD

With regard to the court's issuance of an injunction, which applies only to the parties before the court and not in rem to all importers of electronic pianos, it was stated:

> "While it is true that imports of these electronic pianos virtually ceased prior to the date the court entered its injunction, I am not convinced that this decrease in imports was more than temporary pending the outcome of the litigation in the Federal courts and the Commission's determination in these proceedings. The evidence fails to reveal convincing economic reasons which would suggest that a foreign manufacturer of these electronic pianos would permanently refrain from importing the infringing pianos for sale in the U.S. "

(Statement of Commissioner Moore)

CD at 38

(Moore recommended issuance of an exclusion order)

CD at 39

TA-5 Chain Door Locks CD

"We have decided (Commissioners Ablondi and Parker dissenting in part) that an exclusion order is the appropriate remedy. This is because the unfair method or act we have found is patent infringement, meaning all the offending articles are in violation of the law. This is unlike a section 337 case based upon the existence of an unfair act or method which is not inherent in the imported articles but is rather an act or method of which persons could purge themselves without changing the nature of the articles. Here, the articles themselves offend and there is no evidence that any other action save exclusion will remedy the violation. "

CD at 42

TA-20 Bismuth Molybdate Catalysts RD

There is no evidence of the existence of any outstanding contracts for the shipment of NSKK catalysts to any other firm in the U.S. The possiblity of negotiation of future contracts forms an insufficient foundation for relief by this Commission under §337 in the form of an exclusion order.

RD at 3

TA-22 Plastic Bags CD

The Commission determined there was a violation and found exclusion to be the appropriate remedy, citing Chain Door Locks, (337-TA-5) and noting that the patentee has the right to exclude others from using his patented invention. Because of the multiplicity of importers, the Commission believed an exclusion to be the more appropriate remedy since a cease and desist order, which is an in personam remedy, could be avoided by switching to importers other than those who were active when the remedy was issued.

CD at 15

TA-24 Exercising Devices CD

The Commission stated, "The record developed by the Presiding Officer indicates that persons other than respondents have imported the subject article. This creates the possiblity that any in personam cease and desist order issued by the Commission might be avoided through shifts in sourcing to any of a number of other potential importers. Therefore, the Commission had determined that an exclusion order is the appropriate remedy in the circumstances in this case."

CD at 6

TA-37 Skateboards CD
(On Remand from CCPA)

It has been argued that exclusion is inappropriate in this case in light of the district court's decision in California ("the California decision"). The contention is that the California decision creates a situation wherein the Stevenson patent is enforceable against foreign but not domestic manufacturers of kicktail skateboards. Such a situation could, it is argued, have a potentially disruptive effect on competitive conditions in the U.S. economy, one of the factors to be considered when the Commission determines whether exclusion would be in the public interest.

Chairman Alberger and Vice Chairman Calhoun believe that a Commission exclusion order does not currently create a discriminatory nontariff barrier, and that any future possible adverse effect exclusion would have on competitive conditions in the U.S. economy will be considered if and when the enforceability of the Stevenson patent against domestic infringers is finally resolved. Inasmuch as the California decision holding the Stevenson patent invalid has been appealed to the Ninth Circuit and may subsequently be reversed, would-be domestic infringers cannot rely on that decision to insulate themselves from liability for compensatory damages should they later be sued for infringement. Until a final judgment of invalidity is made by either the U.S. Supreme Court or, in the event certiorari is sought and denied, the Ninth Circuit, unlicensed domestic manufacturers of kicktail skateboards proceed at their peril. Thus, the situation presented by the instant case differs little from that presented in previous cases of exclusion where no conflicting federal court decisions were present.

CD at 8-9

TA-35 Golf Balls CD

"That the appropriate remedy for such violation is to direct that certain molded golf balls made in accordance with claim 1 of U.S. Letters Patent 3,313,545 be excluded from entry into the United States for the term of said patent; the exclusion order, which we have determined is the appropriate remedy in this case, is a remedy that will prevent any person including the respondents who were dismissed from the investigation, from importing molded golf balls which infringe this patent."

CD at 9-10

TA-42 Electric Slow Cookers CD

The Commission ordered an exclusion order and set bond at 50% ad valorem of the imported article for the sixty day period in which the President may examine the CD. A cease and desist order was said to be inappropriate "because it is not likely that such an order would be effective against foreign respondents and would not include within its scope any domestic importers not named in this investigation."

CD at 7

TA-56 Thermometer Sheath Packages CD

"There is no dispute among the parties that an exclusion order is the relief appropriate in this case. As we have often noted in the past, the essential right of the patentee is the right to exclude others from his monopoly. In the Matter of Reclosable Plastic Bags, 337-TA-23, USITC Pub. 801, at 15 (1977). Further the unfair act inheres in the infringing design of the imported articles, a fault unremediable except by exclusion. In the Matter of Chain Door Locks, 337-TA-5, USITC Pub. 770, at 42 (1976)."

CD at 28

[redacted]

204.1

TA-60 Crankpin Grinders CD

The separate views of Chairman Parker proposed a remedy he believed to be more consistent with the remedial nature of §337 and which more appropriately balanced both the private and public interest involved than does the determination of the majority, which would not provide any remedy at all. He determined that the most appropriate relief in this case is the issuance of an exclusion order preventing the importation of the infringing articles during the life of the patent, except under license, or in the absence of the complainant granting a license, except that the entry of unlicensed articles shall be permitted upon tender by the importer to complainant by the patent owner of payment in a amount equal to, but not to exceed the maximum license fee previously established by the arms-length agreement between the patent owner and any of its licensees.

(Separate Views of Chairman Parker)

CD at 3-5

204.2 Temporary Exclusion Orders

In general

In Panty Hose the Commission stated:

> The standard adopted by the Commission for determining whether a temporary exclusion order should be recommended...is: "whether complainant has made a prima facie showing of violation of Section 337 and whether, in the absence of a temporary order of exclusion immediate and substantial harm would be sustained." Since the Commission's immediate and substantial harm" standard is more stringent than the injury standard set forth in the statute which requires only "the...tendency...to... substantially injure," it follows that if the Commission's standard is met, the less stringent standard of the statute must also be met.
>
> T.C. Pub. 337, March 1971, at 5.

TA-2 Convertible Game Tables CD

Immediate and substantial harm was determined to exist based on the following factors:

1. imports accounted for a substantial part of domestic consumption of the product;
2. substantial lost sales and declining profits, and possibility of increased market penetration;
3. competition becoming more severe each day;
4. cutback in orders for complainant's product;
5. lower prices for complainant's game table and a negative impact on its efforts to license the product;
6. evidence complainant's future plans for expansion were being set aside due to uncertainties "attendant to intense import competition"; and
7. one of complainant's largest customers was beginning to seriously question complainant's prices.

TA-20 Bismuth Molybdate Catalysts RD

A temporary exclusion order originally requested by complainant was subsequently waived in exchange for notice of anticipated future shipments of NSKK catalysts.

RD at 4

[redacted]

TA-27 Chicory Root RD
(on temporary relief)

Regardless of whether that criterion is proper, it is not a criterion the Presiding Officer may consider. Immediate and substantial harm relates exclusively to whether a remedy is to be afforded. The question of what relief to provide is not for the Presiding Office to decide. Rule 210.14(a)(1) reserves that for the Commission exclusively. The Presiding Officer will not consider immediate and substantial harm as a criterion of "reason to believe."

RD at 4-5

It appears to the Presiding Officer that the phrase "reason to believe" is substantially equivalent to phrases such as "reasonable grounds to believe," "reasonable ground," and similar phrases. Over a period of many years, these phrases have been determined to mean that the evidence presents a rational basis for thinking a violation exists.

In criminal law, statutes provide that law enforcement officers may make an arrest without a warrant where there is a "reasonable belief," a "reasonable grounds for belief," that the arrestee had committed or is about to commit a crime; these statutes have been held to set forth a standard essentially equivalent to the Fourth Amendment's standard of "probable cause." (Draper v. U.S., 358 U.S. 307, 310 (1958)).

TA-27 Chicory Root RD
(on temporary relief)

The language concerning temporary relief in §337 in new. It was added by the Trade Act of 1974. Under the former §337, the practice appears to have been that a temporary exclusion order would be recommended only when a petitioner had established a prima facie case and could prove that he would suffer "immediate and substantial harm" (Ampicillin, TC Pub 345 (1970); Meprobamate, TC Pub 389 (1971)). The House bill to the Trade Act included the standard of "immediate and substantial harm," but the Senate bill struck this language (H Rept. 98-51 (93d Cong, 1st Sess. 1973) at 78-79 and S. Rept 93-1298 (93d Cong. 2d Sess 1974) at 197-198)).

The Senate Committee commented:

> §337(e) of the act, as amended by the Committee, provides that when the Commission has reason to believe during the course of an investigation under §337, that a article is offered or sought to be offered for entry into the United States in violation of §337, but the Commission does not have sufficient information to establish to its satisfaction that the section is being violated, then the Commission can direct [temporary relief]. Senate Report at 197-98

It would therefore appear that immediate and substantial harm is not necessary to a determination in favor of temporary relief.

TA-27 Chicory Root CD

The amendments to §337 made by the Trade Act of 1974 which established the present "reason to believe" language did not, it appears, intend to disturb the meaning given to such phrase by the Commission under the prior provision. The addition of new §337(c) requires the Commission to consider equitable and legal defenses and to hold a hearing that conforms with the requirements of the Administrative Procedure Act prior to directing temporary relief. The new requirements thus are consistent with the Commission practice of weighing all the evidence before it and determining where the weight of the evidence lies before deciding that temporary relief is warranted.

CD at 7

It is our belief that the basic standard actually used by the Commission under the prior provisions -- that of probability of a violation, or, alternatively stated, preponderance of the evidence -- is still applicable to temporary relief proceedings. This standard requires that the Commission, after considering all the evidence presented by the parties and appropriate interested parties and Government agencies and departments, including evidence pertaining to equitable and legal defenses, and after holding the appropriate hearing, must weigh the evidence before it and determine whether there is sufficient evidence at that point in the investigation to conclude that even in light of any defenses, there is reason to believe - - or there is a probability -- that there is a violation of §337.

"Reason to believe" means evidence sufficient at this stage of this proceeding to support a reasoned belief in the existence of a continuing violation.

(Cont'd)

[redacted]

TA-27 Chicory Root CD
(on temporary relief)

The phrase "reason to believe that there is a violation," as presently found in subsection (e) of section 337 as a result of amendments to §337 made by the Trade Act of 1974, is not new in substance to §337. Former §337(f), which granted the President, as opposed to the Commission under current law, the authority to issue temporary relief, provided that the President could take such action whenever he had "reason to believe that any article is offered or sought to be offered for entry into the U.S. in violation of this section but has no information sufficient to satisfy him thereof...."

CD at 5

In making findings under the old statutory provisions with respect to the action the President should take, the Commission made findings with respect to the statutory language the President was required to follow in order to grant temporary relief. The Commission interpreted "reason to believe" to require a showing of the existence of a "prima facie" violation. (See statement of the Commission in Meprobamate, TC Pub. 389 (1971), at 3-4.) In practice, the use of the phrase "prima facie" by the Commission in these cases required a showing of the probability on the evidence available, of the existence of an unfair method or act having the requisite effect or tendency in order to satisfy the "reason to believe criteria." In other words, the Commission, at least in later cases under the old provision, did not make a finding of reason to believe the statute was being violated until after seeking and considering responses, defenses, and information from alleged violators and interested parties, weighing the information before it, and determining that there was a preponderance of the information on the side of complainant for each element necessary for showing there to be a violation and regarding each proper defense, though the information available did not satisfy it that there was a violation.

CD at 6-7

204.2

TA-39 Luggage CD

While the Commission unanimously determined there was reason to believe that there was a violation of §337, the Commission denied complainant's request for a TEO. Reasons for denial varied:

1. Parker and Moore - "complainant has failed to show an immediate or pressing need to exclude certain luggage products...."

CD at 4

2. Alberger and Bedell - "A review of prior Commission practice (see Chicory Root, 337-TA-27; Convertible Game Tables, 337-TA-2; Lightweight Luggage, T.C. Pub. 391) and analogous case law on various forms of temporary relief (see Metropolitan Area Transit Commission v. Holiday Tours, 559 F.2d 841 (1977); Virginia Petroleum Jobbers Ass'n v. F.P.C., 259 F.2d 921 (1958)) persuade us that a TEO is an extraordinary measure and should only be issued under the most compelling of circumstances."

Several reasons cited for this conclusion were that in most cases this procedure interferes with discovery, burdens both the investigative attorney and the presiding officer, taxes the resources of the entire agency, and finally, the existing time limits obviate the need for temporary relief in all but the most egregious cases. "A Commission ruling on whether to grant a TEO is usually not made until the sixth or seventh month of an investigation, and yet a final determination is usually made within a year. Hence, the time span covered by the TEO would not be such as to justify the expense and delay unless the situation complainant faced was extremely grave." CD at 7

A TEO is a type of discretionary relief, and it is important to balance equities in any decision that involves discretionary relief. CD at 15

[redacted]

In Certain Apparatus for the Continuous Production of Copper Rod, Inv. No. 337-TA-89 (1980), the Commission adopted a standard for evaluating requests for temporary relief similar to that enunciated in Virginia Petroleum Jobbers v. FPC, 259 F.2d 921, 925 (D.C. Cir. 1958). Under this standard, "the Commission will balance the evidence of violation and the evidence that the complainant will suffer immediate and substantial harm absent the granting of such relief against the evidence of any adverse impact on other parties." Copper Rod, supra, at 6. Where the complainant does not establish the existence of a section 337 violation by a preponderance of the evidence, it may still obtain temporary relief if it raises serious questions regarding the existence of a Section 337 violation, presents a compelling case with respect to immediate and substantial harm to the domestic industry, and shows that the respondents will not suffer any significant harm if relief is granted. Once the complainant raises serious questions regarding the existence of a section 337 violation, the Copper Rod standard permits the Commission to weigh evidence for and against the issuance of temporary relief.

However, in the instant case, none of the factors to be considered by the Commission suggests that temporary relief should be granted: We have determined that there is no reason to believe that there is infringement of the 103 patent or '779 patent; that, even if there was reason to believe that a violation of section 337 exists, there would be no consequent immediate and substantial harm to the domestic industry; and that the issuance of temporary relief might injure the respondents to the extent that it would inhibit their imports.

Opinion at 2-3

(Cont'd)

> Even if there were reason to believe that a violation of section 337 exists, the Commission will not order temporary relief unless there is also some indication that the domestic industry would suffer immediate and substantial harm if such relief is relief is not granted. This standard corresponds to the requirement of Rule 64 of the Federal Rules of Civil Procedure that a petitioner for a preliminary injunction must be likely to sustain irreparable harm in the absence of temporary relief. The purpose of both standards is to preserve an approximate status quo pending final resolution of proceedings. Thus, in Commission practice, the concept of "immediacy" means that the anticipated harm must be likely to occur before the Commission is able to issue permanent relief. The notion of "substantial harm" requires that the injury to the domestic industry be so significant that it would not fully recover from the harmful effects of the section 337 violation once permanent relief was granted.
>
> Opinion at 22-23

> [W]e conclude that even if there were reason to believe that an unfair trade act exists, there is minimal evidence that the domestic industry would suffer immediate and substantial harm in the absence of temporary relief. The ratio of the respondents' imported stringers to those produced by the complainant in accord with its '103 and '779 patents is slight and has actually declined . . . . [T]he respondents' import projections show a further decline for the remainder of 1980 and for 1981.
>
> The complainant's profit levels do not suggest injury caused by respondents' imports . . . . Thus, there does not appear to be any relationship between the complainant's profits and imports.
>
> Other economic indicators also suggest a healthy domestic industry unaffected by foreign imports . . . . In addition, plant utilization and employment levels have appeared to rise in view of the increase in work shifts since 1979.
>
> Opinion at 23-24

> It is true that Federal courts balance various factors in determining whether to grant temporary relief. Thus a Federal court may grant temporary relief even though it does not agree with the movant on the merits where the movant makes an unusually strong showing of injury. Federal courts, therefore, have a flexible standard in evaluating the merits of a case for the purpose of considering temporary relief. However, the Commission is not a Federal court and does not have a flexible standard when considering temporary relief by reason of the statutory standard established in sec. 337. Subsection 337(e) requires the Commission to answer the question: Is there reason to believe that a violation of section 337 exists? Only where the Commission concludes that there is such reason may it consider the granting of temporary relief. The balancing of competing factors may be made after the complainant has established that there is reason to believe that there is a violation of section 337.

Opinion at 1-2

> Investigations under section 337 are . . . expeditious proceedings. Temporary relief . . . is . . . extraordinary relief and should be granted only where the complainant has made a strong showing that there is reason to believe that there is a violation of section 337. [M]y colleagues' recitation of a relaxed standard of proof on the question of violation in this case is inconsistent with the determination of the Commission majority in *Certain Slide Fastener Stringers and Machines and Components thereof for Producing Such Slide Fastener Stringers*, Inv. No. 337-TA-85 (ITC 1980). There, the majority appeared to impose a higher standard of proof on the complainant with respect to violation and, thereby, found no infringement of the '103 patent.

Opinion at 2

(Cont'd)

Subsection 337(e) provides that the Commission must have a single standard when evaluating the merits of a section 337 investigation in the context of a request for temporary relief. [T]he standard of proof should be "a preponderance of the evidence" in view of the extraordinary nature of the relief requested. [I]t is inappropriate and unnecessary to overturn in any respect the Commission's determinations in Chicory Root--Crude and Prepared, Inv. No. 337-TA-27 (1976) and Certain Luggage Products, Inv. No. 337-TA-39 (1978).

(Concurring Opinion of Commissioner Moore)

Opinion at 3

[I]n order to obtain temporary relief a Complainant need not produce sufficient information to establish violation under Section 337; only in a final determination need a complainant show violation by a preponderance of the evidence. To the extent that the TEO determinations in Chicory Root--Crude and Prepared, Inv. No. 337-TA-27 (1967) and Certain Luggage Products, Inv. No. 337-TA-39 (1978) rely upon a preponderance of the evidence test, they will no longer be followed.

Opinion at 4

The standard that the Commission uses in balancing these factors in determining whether a TEO should issue is similar to that set forth by the U.S. Court of Appeals for the Distict of Columbia in Washington Metropolitan Area Transit Comm. v. Holiday Tours, 559 F.2d 841 (D.C. Cir. 1977). In that case the D.C. Circuit made clear that the factors it had enunciated in Virginia Petroleum Jobbers v. FPC, 259 F.2d 921 (D.C. Cir. 1958) [a balancing test] were to be balanced against each in deciding whether temporary injunctive relief should issue.

Opinion at 5

(Cont'd)

[redacted]

> The analysis followed by the D.C. Circuit regarding the balancing of factors has also been applied by the Second Circuit. See Hamilton Watch Co. v. Benrus Watch Co., 206 F.2d 738 (2d Cir. 1953). In sum, in determining whether to issue temporary relief under section 337(e), the Commission will balance the evidence of a violation and the evidence that complainant will suffer immediate and substantial harm absent the granting of such relief against the evidence of any adverse impact on other parties. The Commission will, of course, also consider the impact on the public interest pursuant to section 337(e).

Opinion at 5-6

> [T]he purpose of a temporary exclusion order is to maintain the status quo pending a determination on permanent relief by the Commission. [Complainant] must . . . show that immediate and substantial harm would occur if the TEO is not issued. As Commissioners Alberger and Bedell stated in Luggage Products (337-TA-39), the relevant inquiry is "will substantial injury occur before the Commission is able to act on the request for permanent relief?"

Opinion at 17

204.3 Bond

§337(e)

"(e) EXCLUSION OF ARTICLES FROM ENTRY DURING INVESTIGATION EXCEPT UNDER BOND.-

If, during the course of an investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that the articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary.

[redacted]

TA-3 Doxycycline CD

"The legislative history of §337 is clear that a bond should be chosen which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article. (S. Rep. No. 93-1298, 93d. Cong., 2d Sess. 108 (1974))."

(Alberger concurring)

CD at 21

TA-5 Chain Door Locks CD

"The amount of the bond lies within the discretion of the Commission. The only standard provided is found in the following excerpt from the Report of the Committee on Finance on the bill which became the Trade Act of 1974:

> In determining the amount of the bond, the Commission shall determine, to the extent possible, the amount which would offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article. It is apparent from that language that an automatic full-value bond, as is now set by the Secretary of the Treasury, is no longer routinely acceptable and that each case will have to be considered on its own facts."

In this case, it was determined that the §337(g)(3) bond should be fixed at 50% of the value of the articles concerned, f.o.b. foreign port.

CD at 44

[redacted]

TA-22 Plastic Bags CD

A bond of 100% ad valorem was ordered since that was the amount required to offset the competitive advantage resulting from the unfair acts.

Chairman Minchew determined that the amount of the bond should be 300% of value of articles concerned. He believed that such an amount would be more equitable in view of the great disparity in prices between the cost of production of foreign bags and those of domestic bags, since domestic bags cost at least four times more than foreign bags.

CD at 16

TA-24 Exercising Devices CD

The Commission determined that the amount of the bond should be sufficient to offset any competitive advantages resulting from the unfair acts. While the complainant had requested different bonds for different priced imports, the Commission stated that "prescribing different bond amounts for similar products would create confusion in the administration of the exlusion order; thus, one bond of 350% of value, f.o.b. foreign port was set."

CD at 7-8

TA-30 Photocubes CD

The bond was set at 100% of the value of the articles concerned, f.o.b. foreign port.

CD at 5

The Commission explained that since there was a two to one price differential between the landed price of the imported product and the sales price of the domestic product, the bond shold be set at 100% of the value.

CD at 11

TA-35 Golf Balls CD

The bond provided for in 19 U.S.C. §337 (g)(3) was in the amount of 80% of the value of the articles concerned, f.o.b. foreign port.

CD at 7

TA-39 Luggage CD

The bond amount was determined to be 210% of the value of the articles concerned, f.o.b. foreign port.

CD at 3

The Commission found an exclusion order to be the appropriate remedy and provided that the appropriate amount of the bond was 210% of the value of the imported article. "A bond of this size is necessary to make the imported luggage equivalent in price to the domestic luggage."

CD at 13

TA-44 Roller Units CD

Bond was set in the amount of 176% of the value of the roller units if unattached to luggage, f.o.b. foreign port, and 85 cents on each piece of imported luggage bearing the roller units. The Commission stated:

(Cont'd)

[redacted]

A bond of this size is necessary to make the imported roller units equivalent in price to the domestic roller units. The purpose of the bond is to offset any competitive advantage resulting from the unfair method of competition or unfair act enjoyed by persons benefiting from the importation of the article (See Trade Reform Act of 1974: Report of the Committee on Finance...S. Rep. No. 93-1298 (93d Cong., 2d Sess.), 1974, at 198) rather than to serve as a deterrent to such importation.

CD at 12

TA-47 Flexible Foam Sandals CD

The Commission determined that bond should be set at 250% of the article's value, f.o.b. foreign port, to offset any competitive advantage. The amount was based on an analysis of wholesale prices of the domestic low-cost product and the imported product's value when entered under item 700.58 of the U.S. Tariff Schedules. The Commission selected the lower of the amounts recommended by complainant and the Commission's investigative attorney because "[in] our view, the record establishes a quality difference between the domestic patented product and the infringing imports which justifies choosing the lower amount."

CD at 10

TA-56 Thermometer Sheath Pkgs. CD

"Perhaps inspired by Doxycycline, however, respondents at oral argument offered a persuasive case that here--when their prices are higher and a consumer market exists for their product separate from the clinical market which complainant primarily supplies--a more appropriate bond is one based upon a reasonable royalty; for example, that paid by Johnson and Johnson to Steridyne under a previous licensing arrangement. This figure was suggested to be approximately 10 percent." The Commission adopted this 10% figure.

CD at 30

TA-56 Thermometer Sheath Pkgs. CD

"Perhaps inspired by Doxycycline, however, respondents at oral argument offered a persuasive case that here--when their prices are higher and a consumer market exists for their product separate from the clinical market which complainant primarily supplies--a more appropriate bond is one based upon a reasonable royalty; for example, that paid by Johnson and Johnson to Steridyne under a previous licensing arrangement. This figure was suggested to be approximately 10 percent." The Commission adopted this 10% figure.

CD at 30

204.4 Cease and Desist Orders

> "(f) CEASE AND DESIST ORDERS.--In lieu of taking action under subsection (d) or (e) , the Commission may issue and cause to be served on any person violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of the like or directly competitive articles in the United States and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e), as the case may be.

In general

The Commission has repeatedly noted that cease and desist orders pursuant to §337 (f) would not be effective against new foreign manufacturers or importers who in the future decide to import or sell infringing articles. (See Luggage, 337-TA-39, CD at 13).

The reason is that cease and desist orders are in personam orders, while exclusion orders would apply to all importers of the product complained of.

See also Plastic Bags, 337-TA-22 at 15; Exercising Devices, 337-TA-24 at 6.

TA-3 Doxycycline RD

A special situation may occur in which respondents, either prior to or during the proceeding, may have imported a sufficient amount of the article such that no further imports are needed for a considerable period of time, because respondent has more than enough of the article to carry on its business activities for a number of years hence without importing more articles. For this reason, in Doxycycline, complainant requested that the Commission use its cease and desist power to order that respondent not sell any of the imported product.

RD at 9

TA-29 Steel Tubes CD

The ITC issued its first cease and desist order in Steel Tubes against a predatory pricing practice. The order applied to eleven Japanese firms and prohibited pricing the product below the average variable cost of production without commercial justification.

CD at 2-7

(Cont'd)

[redacted]

"We have decided that a cease and desist order is the only appropriate remedy under the Trade Act. This remedy was added to the statute in 1974 for the reason that the exclusion remedy is so extreme or inappropriate in some cases that it is often likely to result in the Commission not finding a violation of this section, thus reducing the effectiveness of §337 for the purpose intended. "

See S. Rep. at 198.

CD at 42

TA-39 Luggage CD (TEO)

According to the unanimous Commission opinion that there was reason to believe a violation exists, some temporary relief is necessary. "Because the record is devoid of any evidence showing that complainant will be injured by imports of infringing luggage before this investigation is completed, I believe it would be inappropriate to issue a TEO. However, a cease and desist order would avoid unduly burdening import trade until this case is completed, while still preventing complainant from being injured in the event that any named respondent decides to import infringing luggage."

Minchew (dissent)

CD at 19

204.5 Public Interest/Policy

TA-3 Doxycycline CD

The Commission found that public interest considerations, such as health and welfare, competitive conditions in the U.S. economy, and the production of like or directly competitive articles, do not preclude exclusion from entry. There is evidence Pfizer has the capability to supply without delay any medical need for it, and evidence of the substitutability of a broad spectrum of antibiotics for doxycycline. There is no indication that complainant has engaged in anticompetitive acts which would preclude the issuance of an exclusion order. Pfizer has indicated an intent to comply with the President's price deceleration standard. No public interest group objected, so it appears that the interests of consumers would not be adversely affected by the issuance of an exclusion order.

(Alberger concurring)

CD at 19-21

TA-5 Chain Door Locks CD

"Our investigative staff takes the position that patent 'monopoly,' being a statutory policy, overrides the policy considerations set forth in §337(d)."

CD at 43

We find no "public interest" reasons why relief should not be afforded. We do not, however, believe that in every patent case the Congress intended the policy of patent monopoly to override these factors. In this case, the comments we have received and the other investigative work reveal no reason to deny relief. The effect of the exclusion upon the public health and welfare consists in the security which products manufactured under these patents afford. The patent owner and domestic and foreign non-infringing sellers will still be free, after this order, to sell locks in the United States. Similarily, as the Department of Justice points out, the effect on competitive conditions in the United States and upon U.S. consumers of the exclusion order are not such that the order should be denied. Finally, the production of like or directly competitive articles in the United States will not be affected except as prescribed by the patent laws of this country. We find no reason of public interest upon which we may refuse to issue this order.

CD at 43

TA-22 Plastic Bags CD

As part of its consideration of the public interest, the Commission examines whether the domestic industry has the capacity to satisfy domestic demand for the articles under investigation.

CD at 13

TA-23 Color Television Receiving Sets CD

"Congress specifically provided for consideration of trade policy issues in three subsections of section 337. Subsections (d)(e) and (f), which grant the Commission the power to issue exclusion and cease and desist orders, provide that the Commission may decide to forbear imposing such sanctions if it determines that the imposition would adversely affect, inter alia, the public health and welfare, competitive conditions in the U.S. economy, or U.S. consumers. Significantly, however, these policy considera- tion are not relevant to the Commission's determination of whether there is a violation of §337.

CD at 14

Committee on Finance made it clear that foreign policy objectives should be considered only in the imposition of any sanction that may issue, and not in the Commission finding of a violation of §337. S. Rept. 93-1298, 93d Cong., 2d Sess. 199 (1974).

CD at 15

TA-30 Photocubes CD

The entry of an exclusion order will not adversely offset the public interests. The two most significant interests to be balanced in this case are the protection of a valid U.S. patent as opposed to a possible increase in consumer pricing.... Moreover, consumer constraints prevent premium pricing. Plastic display devices are not essentials of life. If one is to abuse the patent monopoly granted one, a reduction in sales is to follow."

(Opinion of Minchew, Moore, and Alberger)

CD at 11

The Commission found that where consumers may pay a higher retail price for complainant's product, where profit markup was normal, where there were consumer constraints which prevented premium pricing (the articles involved were not essentials of life), and where the patent monopoly was not abused, a reduction in sales would follow.

CD at 11

TA-35 Golf Balls CD

The Commission found the factual situation to be similar to Photocubes (337-TA-30), noting that molded golf balls were not essentials of life, and the Commission did not believe that there was a public interest consideration other than a possible increase in pricing involved. Therefore, the Commission determined an exclusion order to be the most appropriate balance between patent protection and consumer interest.

CD at 10

TA-47 Flexible Foam Sandals CD

The Commission found no evidence or indication of an adverse effect on public interest factors if an exclusion order were entered. No shortage of non-infringing competitive sandals made in the U.S. or imported and sold in the U.S. were found, U.S. competitive conditions would not be effected, nor would the production of like or directly competitive domestic articles, except as prescribed by U.S. patent laws, and there would be no adverse effect on U.S consumers.

CD at 9-10

TA-57 Cattle Whips CD

The Administrative Procedure Act (APA) provides that agencies are to consider "offers of settlement" where "the public interest permit(s)." See 5 U.S.C. 554(c)(1)). The Commission concluded that the public interest would be served by acceptance of the proposed consent order agreement and termination of the investigation:

1. There is no indication that the agreement is anticompetitive;
2. Further expenditure of government resources will be eliminated, except the minimal cost of reviewing compliance reports;
3. No adverse comments were received from interested Federal agencies or the public; and
4. The consent order provides that the Commission will retain jurisdiction despite termination; if the consent order is violated, the Commission may institute further proceedings.

CD at 3

TA-70 Coat Hanger Rings CD

The Administrative Procedure Act (APA), 5 U.S.C 554(c)(1), provides that agencies shall consider offers of settlement where the public interest permits. Because the settlement agreement did not appear to be anticompetitive and no adverse comments were received from interested federal agencies or members of the public, it was concluded that the public interest would best be served by termination of the investigation.

CD at 1

TA-60 Crankpin Grinders CD

Subsections (d) and (f) of §337 require the Commission, after it has determined that a violation of the statute exists, also determine whether the effect of an exclusion order or a cease and desist order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers preclude the issuance of a remedy.

CD at 17

The Trade Act of 1974 added the public interest determination to §337. The legislative history of this provision reveals Congress intended that public interest factors be the overriding considerations in the administrative statute:

> The Committee believes that the public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute. Therefore, under the Committee bill, the Commission must examine (in consulation with the other Federal agencies) the effect of issuing an exclusion order or a cease and desist order on the public health and welfare before such order is issued. Should the Commission find that issuing an exclusion order would have a greater adverse effect on the public health and welfare; on competitive conditions in the United States economy; on the production of like or directly competitive articles in the United States; or on the United States consumer, than would be gained by protecting the patent holder (within the context of

(Cont'd)

> the U.S. patent laws) then the Committee feels that such exclusion orders should not be issued. This would be particularly true in cases where there is any evidence of price gouging or monopolistic practices in the domestic industry. S. Rep. No. 93-1298, 93rd Cong., 2d Sess, (1974).

This is the first case in which the Commission determined that the public interest factors preclude imposition of a remedy. The primary reason for this determination is that the domestic industry could not supply the demand for new orders of the patented product within a commercially reasonable length of time. Because the availability of crankpin grinders is critical in the automobile industry program to meet the fuel economy standards manadated by Congress (with the enactment of the Energy Policy and Conservation Act), and considering that the energy crisis has been an important factor in stimulating activity in the domestic plants, there are overriding public interest considerations in not ordering a remedy which will hamper a supply of energy efficient automobiles. This is not merely a matter of meeting demands of individual consumers for fuel efficient automobiles. The public as a whole has an interest in conserving fuel in the provision of energy efficient alternatives, respresented in this case by automobiles with more efficient engines which are produced with the assistance of crankpin grinders. The Commission concluded that the public interest considerations, namely the domestic industry's inability to supply crankpin grinders which can be used to produce on a timely basis more energy efficient automobiles, and the engine producer's need for additional automatic crankpin grinders prior to the expiration of the patent are stronger than complainant's rights to the enforcement of its patent monopoly through a remedy pursuant to §337.

CD at 17-20

TA-67 Acceleration Tubes CD

The Commission unanimously determined that the public interest factors enumerated in subsection 337(d) of the statute precluded the imposition of a remedy in this case even though a Section 337 violation had been found. The Commissoin explained its decision in the following manner:

> [T]here are two issues in any consideration whether public interest factors preclude imposition of a remedy for a section 337 patent violation. The threshold question is whether a remedy under section 337 would have an impact on the public health and welfare. Once that is established, the Commission must balance the damage to the patent holder's rights against the adverse impact of the remedy on "the public health and welfare and the assurance of competitive conditions in the United States economy." S.Rep. 93-129, 93d Cong., 2d. Sess. 197 (1974).
>
> We believe that basic scientific research, such as the nuclear structure research conducted with inclined-field acceleration tubes, is precisely the kind of activity intended by Congress to be included where it required the Commission to consider the effect of a remedy on the public health and welfare. The relative merits of pure and applied research have been the subject of debate for many years. The benefits to public health and welfare of pure research are indirect and perhaps more difficult to demonstrate, but they are nonetheless there. Although there are few indications on the record of practical applications for nuclear structure physics, it

(Cont'd)

> shows that the tubes at Los Alamos are used for nuclear weapons development and the University of Arizona uses them as mass spectrometers for carbon 14 dating, essential to paleontological and archaeological applications. Many scientists would argue, of course, that basic research is enthusiastically beneficial regardless of immediate practical application. The support of universities and public agencies is ample support for that proposition.

CD at 22-23

> Once the importance of basic research in nuclear structure physics is established, we are faced with a difficult balance -- the impact of a remedy on users of the imported device versus the impact of the violation on the owner of the patent. After weighing these considerations, we determine that public interest factors preclude a remedy in this investigation.
>
> Complainant argues that the integrity of the patent system is at stake . . . . That overstates the issue. Our decision not to issue an exclusion order . . . should not encourage others to infringe patents. This is a narrow factual situation --the imported tube infringes a valid U.S. patent, but a noninfringing feature offers significant operational advantages, at lower cost, to some users. The infringing tube makes further significant progress toward a solution of the technical problem that the invention of the patent was designed to solve.

(Cont'd)

> Contrary to complainant's assertion, our determination is consistent with the public interest finding in Crankpin Grinders, in which the infringing device was needed by U.S. automobile manufacturers to make parts for fuel efficient engines. The public interest importance of the invention was demonstrated in part by the Energy Policy and Conservation Act, 42 U.S.C. 6201-6422, and implementing regulations requiring auto manufacturers to meet fleet full economy standards in phases . . . . The Commisison determined that the importance of enforcing the patent monopoly was outweighed by the engine producer's needs and the inability of the domestic producer quickly to supply them. The competing interest was not the individual consumer's need for a cheaper, more efficient auto, but the public interest in fuel conservation.
>
> The competing interest here is the continued availability of tubes essential to research programs affecting the public health and welfare . . . . Although the financial return from a patent is a reward, we are not convinced that it is the only motivation to engage in the development of basic science research apparatus. [T]here is considerable encouragement by the government for research, a necessity in view of the lack of immediately profitable commercial application of the results and the prohibitive expense of the equipment needed to carry it out. Researchers . . . are not motivated solely by expectation of a profit in the way that holders of more conventional product and process patents are.

CD at 29-31

Even where the Commission finds a violation of Section 337, it may decline to issue a remedy if it also finds that certain "public interest" factors preclude a remedy. The "public interest" factors set out in Section 337(d) are: 1) the effect of an order upon the public health and welfare; 2) the effect on competitive conditions in the U.S. economy; 3) the effect on production of like or directly competitive articles in the United States; and 4) the effect on U.S. consumers.

The [investigative attorney] and the complainants argue that there are no overriding public interest factors which would warrant the denial of the proposed remedies. Consumers are greatly injured by the trademark/passing off/ false advertising that was found to exist . . . . Additionally, the consumers are being deceived into thinking they are getting a high-quality Jotul product when in fact they are buying an inferior Taiwanese stove. There is a public interest in promoting the conservation of oil and natural gas by encouraging the efficient use of high-quality, wood-burning stoves, including those that are manufactured abroad in countries such as Norway or Taiwan. The record in this case shows that the high-quality Jotul stoves are more fuel efficient than the Taiwanese stoves being imported in violation of section 337. Since there is no question that the public demand for such stoves can be met by non-infringing stoves, the public interest would therefore best be served by imposing the above remedies against the respondents.

CD at 17

[redacted]

During oral argument before the Commission, counsel for the complainant asserted that he would not make [a doctrine of] equivalents' argument because he did not need to do so, given the strength of his literal infringement argument. The fact that the complainant in his legal argument did not raise the "doctrine of equivalents" does not relieve the Commission of its responsibility to consider this issue.

A litigant in an adversary proceeding in Federal court may find himself bound by the omissions of his counsel. But an administrative agency's investigation is not a judicial proceeding. See United States v. Bowman, 236 F.Supp. 548, 550 (M.D. Pa. 1964), aff'd, 358 F.2d 421 (1966). Administrative agencies are not bound by technical common law principles of evidence and procedure. See Clearfield Cheese Co. v. United States, 308 F. Supp. 1072, 1076, n. 4 (W.D. Mo. 1969); Fried v. United States, 212 F.Supp. 886, 896 (S.D.N.Y. 1962). Administrative agency investigations must extend beyond matters alleged by the parties in order to make the proper determination. See Clarksbury Publishing Co. v. F.C.C., 225 F.2d 511, 515 (D.C. Cir. 1955). Federal agencies are, therefore, obliged to construe pleadings to raise rather than to avoid issues and to be sensitive to public interest questions. See Retail Store Corp Union, Local 880 Retail Clerks Inter. Asso. v. F.C.C., 436 F.2d 245, 254 (D.C. Cir. 1970). This concern for the public interest is particularly significant for the Commission in view of the repeated references to the public welfare in section 337. If there is basis in the factual record before the Commission for considering the "doctrine of equivalents," the Commission must do so despite the omissions of counsel and the consequent difficulty of evaluating such a complex issue without full argument by the parties.

(Dissenting Opinion of Commissioner Moore)
Opinion at 29-30

205. Interagency Communication

§337(b)(2)

"(2) During the course of each investigation under this section, the Commission shall consult with, and seek advice and information from, the Department of Health, Education, and Welfare, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

The Justice Department reviewed the Presiding Officer's recommended decision and stated the following:

> We believe it would be in the public interest for the International Trade Commission to adopt [the Presiding Officer's] recommended decision. We believe it is especially important that the Commission not assume the fact or tendency to destroy or substantially injure a domestic industry from the existence of an unfair act under the statute. These two findings are separate and should each be based on substantial proof.
>
> Because §337 "is not an extension of the patent laws and is not designed to protect patent rights as such" (In-the-Ear Hearing Aids), the appropriateness of a clear showing of actual or potential substantial injury is obvious. In this case, marketing and price data submitted by the parties have led the Presiding Officer to conclude that it is unlikely that the respondent can undersell the complainant or is likely to be in a position to make increased inroads in the domestic market. Without any evidence to the contrary found credible by the trier of fact in this matter, the Presiding Officer's conclusion that the injury requirement has not been met in this case should not be overturned by the Commission.
> To do so would be to find the injury requirement automatically met every time an unfair act is established. This is clearly not the intent of Congress, or prior Commission §337 determinations which have clearly required that both an unfair act and a separate injury criteria be met before a violation of §337 be found and relief ordered.

Letter at 2-3

206. Remands

TA-42 Electric Slow Cookers CD

In explaining why the investigation was remanded as to three of the respondents, the Commission noted that "where the Commission determination results in affirmative relief, it must be supported by 'reliable, probative, substantial evidence'. 5 U.S.C. 556(d)." The Commission was of the opinion that "the record was not sufficiently developed to make a determination on the issue of violation."

CD at 3

TA-49 Attache Cases CD

The Commission denied complainant's request for remand, stating that a remand is unnecessary where the facts are not in dispute.

Case law establishes that no evidentiary hearing is required where there is no dispute on facts and the agency proceeding involves only questions of law. See Citizens for Allegan County, Inc. v. F.P.C., 414 F.2d 1125 (D.C. Cir. 1969). Even when a statute mandates an adjudicatory proceeding, neither that statute nor due process requires an agency to conduct a meaningless evidentiary hearing when the facts are undisputed. U.S. v. Cheramie Bo-Truc No. 5, Inc., 538 F.2d 696 (5 Cir. 1976).

CD at 11

Compare Commissioner Alberger's opinion that the case should be labeled "more complicated" and remanded.

CD at 13-15

TA-50 Synthetic Gemstones CD

The Commission denied the ALJ's recommended order to grant respondent's motion for summary determination or in the altrnative, to designate the investigation "more complicated", and remanded the case to the ALJ for further proceedings. Along with the remand the provisions of §210.41(e)(1) were waived with respect to the completiton date and the ALJ was directed to establish a new timetable.

CD at 2-3

TA-51 Cigarette Holders CD

Commissioner Alberger and Stern concurred in the majority finding that the domestic industry is not being injured by the imported articles. However, they stated that in patent cases they would also rech the issues of validity and infringement in ordder to comply with the C.C.P.A. admonishment that the Commission reach all appealable issues in order to aviod remand.

See Coleco Industries v. USITC, 573 F.2d 1247, 1252 note 5 (C.C.P.A., 1978).

300 ITC Rules (Part 210)

192

301. Intervention

TA-22 Plastic Bags RD

When the ITC adopted its Rules dealing with §337 actions, there was omitted from the provisions for intervention (Rule 210.6) a time limitation for making "written application in the form of a motion" for intervention. "Consequently, a 'rule of reason' determination is necessary with respect to the timeliness of the Motion with which we are here concerned. One of the best gauges by which to measure the same would be the time limits imposed by the published rules of other federal regulatory agencies that have borne the test of time and court scrutiny."

RD at 4

See Rules of Civil Aeronautics Board, §302.15 (c)(2)(ii), 5 days;
FCC Rules (§1.223), 30 days; and
Fed. Maritime Commission (§502.22), 30 days.

Finding that the motion in the instant case was filed after the hearing and briefs thereon, contrary to all other agencies' rules, and raised new factual matters, the ALJ denied the motion for lack of timely filing.

RD at 5

302. Commencement

TA-25 Above Ground Swimming Pools RD

Notice of Investigation listed as unfair acts:

(a) patent infringement;

(b) effect or tendency to substantially injure; and

(c) predatory pricing which restrained or monopolized trade.

The ALJ disagreed with respondent's contention that there was no violation unless all three acts were proven; the ALJ said (a), (b), and (c) set forth three separate and independent causes.

RD at 6

303. Pleadings and Motions

TA-23 Color TV Sets RD

ALJ found it was unclear whether the oath requirement applied to proposed amendments; however, to plead uniformly, the amended complaint should also be under oath. Specific instances of unlawful importation or sales are unnecesary to satisfy the Commission rules; only a showing that unlawful importations or sales have occurred is needed. ALJ stated "[a]dministrative tribunals should attempt to end the pleading rigidities that were once characteristic of the Common Law."

RD at 4

TA-25 Above Ground Swimming Pools RD

The Rules do not follow and are not intended to define a fixed sequence, and many complaints have followed a more logical sequence.

RD at 61-62

After a complaint in this case was filed, supplemental complaint was filed, investigation notification appeared, and later supplemental submissions were filed. One month and half later, a motion to amend complaint was filed to add allegations of infringement. ALJ granted the motion, after finding that the additions would not be overly burdensome to the parties.

RD at 5

304 Discovery

TA-3 Doxycycline RD

Rectifier failed to file a response to the complaint as required by Rule 210.21(a) and the ALJ found Rectifier in default. In light of further failure to provide discovery, the default was deemed to constitute a waiver of Rectifier's right to appear and contest the allegations of the Complaint and the notice of investigation. Thus, the ALJ found the facts to be as alleged in the complaint and notice of investigation as to Rectifier.

RD at 26

Pursuant to rule 210.34(b), the ALJ also deemed admitted all requests for admissions served on Rectifier to which he failed to respond.

RD at 26

"The affidavits, depositions, appendices, and pleadings contained in Pfizer's motions are uncontroverted and are sufficient to support a finding that §337 has been violated."

RD at 27

304.1 Protective Orders

TA-52 Copper Rod RD

> Violation of the protective order would be an equitable defense against enforcement of the expanded claims of the '170 patent in this proceeding .... Although Southwire's counsel did not disclose the information obtained during discovery, he used the information to benefit his client .... There is no evidence of an intentional violation of the protective order, but the protective order was violated.... [T]here was an opportunity to use the information obtained, and there was a subsequent change in the scope of the '170 patent reflecting the use of the information.

RD at 45

[redacted]

304.2 Depositions

304.3 Subpoenas

304.4 Sanctions

TA-24 Exercising Devices CD

Discovery sanctions were imposed for failure of certain respondents to comply with the ALJ's order to answer the Staff's interrogatories. The Staff motion for adverse inferences was granted and secondary evidence was permitted.

CD at 2

TA-29 Steel Tubes RD

Less severe sanctions are usually used when sanctions are applied. Sanctions have been imposed for failure to comply with interrogatories propounded by the Commission staff. In this case, the ALJ ordered complainants to file a more definite statement concerning unlawful practices. When complainant did not file such a statement, claiming they were entitled to more discovery, the ALJ foreclosed inquiry into the merits of the allegations of unlawful combination, contracts, or conspiracies. This step was considered by the ALJ to be the application of a sanction for failure to comply with the ALJ's order.

RD at 10-11

TA-29 Steel Tubes CD

The Administrative Procedure Act requires our decision to be on the record, and a record of fact is desirable, but the preeminent fact in this case is the respondents' refusal to cooperate in discovery. Under such circumstances, the Administrative Procedure Act does not prevent us from finding a prima facie case of violation.

> Nor is an agency forbidden to draw such inferences or presumptions as the courts customarily employ, such as the failure to explain by a party in exclusive possession of the facts, or the presumption of continuance of a state of facts once shown to exist. (Attorney General's Manual on the Administrative Procedure Act, 1947, page 76.)

CD at 31

(Cont'd)

Compare Commissioners Parker and Bedell dissent from the majority opinion which supported the ALJ's rulings as to sanctions, stating:

> "The effect of the sanctions, therefore, was to restrict the respondents but in no way did they relieve complainants from the standards of proof which they must fulfill in order to establish a violation of the statute."

CD at 3

TA-51 Cigarette Holders RD

The ALJ ordered that complainant's failure to respond to the notice of preliminary conference and failure to appear at the conference were deemed to constitute a waiver of complainant's right to a temporary exclusion order hearing. Complainant was ordered to show cause why his right to a permanent exclusion order hearing should not be deemed waived.

RD at 1

[redacted]

TA-54 Mutlicellular Plastic Film RD

Respondents Conform Plastics appeared generally and filed a response to the complainant but did not comply with discovery orders. The ALJ issued the following sanctions pursuant to 210.36 of the ITC Rules:

(1). an inference was drawn that the testimony, etc. sought from Conform would have been adverse to it.

(2). Conform was prohibitied from introducing evidence under its control in support of its position, and

(3). Conform was estopped from objecting to the use of secondary evidence to show that the withheld testimony, etc. would have shown.

RD at 11

305. Prehearing Conference

306. Hearings

TA-25 Above Ground Swimming Pools RD

At the conclusion of the hearing, the Presiding Officer ruled that all briefs, proposed findings of fact, and conclusions of law should be submitted by all of the parties on January 4, 1977, and that reply briefs or supplemental proposed findings of fact and conclusions of law would be due on or before January 14, 1977. There was general compliance with this directive by the parties. Difficulty developed, however, when the parties did not discontinue their submissions with the reply briefs but made additional submissions subsequent to January 14th. This was occasioned in part by the fact that in some instances in the reply briefs, new issues were discussed and new positions taken that were not directly responsive to issues discussed and positions taken in the initial briefs to which the reply brief was addressed. If this type of liberty is permitted by any Presiding Officer, the submission can go on ad infinitum and defeat entirely time limitations properly mandated. For this reason it is now the ruling of the Presiding Officer that he will not, and he has not in this recommended determination, considered any new issues raised for the first time in reply briefs which were not direct responses to discussions of the same issue or issues in the brief to which the reply was addressed. Nor has he considered any submission by any party tendered subsequent to the reply brief of that party.

RD at 7

TA-49 Attache Cases CD

In spite of complainant's denial (after the fact) of an intent to waive its evidentiary hearing, the Commission found the complainant cleary did waive the opportunity for hearing.

> "Complainant's waiver of an evidentiary hearing and willingness to have the case decided on the present record is also demonstrated by its failure to take timely exception to the lack of an evidentiary hearing within 10 days after the recommended determination as required by §210.54 of the rules, or to request in the alternative, as did the investigative attorney, a remand of the case to the presiding officer for an evidentiary hearing."

CD at 11

The Commission noted in conclusion that the Administrative Procedure Act (APA) (5 U.S.C. 554(c)) requires only the opportunity for a hearing and not an actual hearing.

Compare Commissioner Alberger's opinion, which stated that the case should be labeled "more complicated" and found that complainant had "more than ample justification for expecting a certain result from his motion for default," particularly in light of the fact that the Commission's own investigative staff were counseling the wrong interpretation of the rule.

CD at 14-15

307. Evidence

TA-7 Audio Equipment RD

"It remains a general principle of statutory construction that interpretation begins with an examination of language itself. If the language is ambiguous, the plethora of constructionary aids should be used. (See Sutherland on Statutory Construction, vol 2A, at 48). This principle had frequently been referred to as the plain meaning rule and is adopted for purposes of interpreting §337."

RD at 16-17

TA-22 Plastic Bags RD

All types of evidence may be used if properly sponsored during a hearing. In Plastic Bags, the Commission Staff sought and received the aid of the U.S. Customs Service.

RD at 12

Administrative proceedings for years have admitted the use of hearsay if such evidence is reliable. In Plastic Bags, certain evidence was admitted after the hearing, as provided in Rule 210.

RD at 2

TA- 25 Above Ground Swimming Pools RD

The ALJ may take evidence or exhibits-- even though it is ruled to be inadmissible -- "for consideration by any reviewing authority under Rule 210.42(g)."

RD at 10

CD

The Commission affirmed the ALJ's ruling in excluding an affidavit from evidence where there was no opportunity to cross-examine the affiant.

CD at 15

TA-27 Chicory Root RD and CD

It is not the duty of the Staff to assume the burden of proof where the complainant is not willing to cooperate to the extent of giving evidentiary information. Should the Commission wish to place such a burden on its Staff, it may do so by instituting an investigation on its own motion .

CD at 10,
adopting
RD at 6

TA-29 Steel Tubes RD

The development of the administrative process in the evidentiary area has progressed to the point that some commentators suggest that exclusion of some secondary evidence can be reversible error. The sufficiency of the evidence to support a determination by an agency is not suspect because of its possible inadmissibility before a jury. Less and less must the agencies in adjudicative proceedings be concerned with the old residuum rule that assumes evidence inadmissible before a jury cannot support an administrative finding." *See* *Richardson* v. *Perales*, 402 U.S. 389 (1971).

RD at 47

"Although the bounds of evidence admitted in administrative hearings has expanded through the years, the basic standard remains "the kind of evidence on which responsible persons are accustomed to reply in serious affairs." Judge L. Hand in *NLRB* v. *Remington Rand* 94 F.2d 862, 873 (2d Cir.), *cert. denied*, 304 U.S. 576 (1938). *See also* Davis, Administrative Law Treatise, Section 14.01."

RD at 48

TA-29 Steel Tubes CD

In administrative proceedings, the trier of fact has a duty to see that all pertinent facts are adduced at the hearing. If the evidentiary record is not sufficient, it is incumbent upon the trier of fact to see that the record is supplemented. Thus, the ALJ has wide discretion in taking evidence.

CD at 30-31

"Of course, it is a basic principle of our system of evidence that one party's failure to offer vital information to a tribunal indicates, as the most natural inference, that the party fears to do so, and that this fear is evidence that the information, if brought, would expose facts unfavorable to the party. Wigmore on Evidence, §285. Of course, the inference ought not be drawn where there is some colorable reason for refusal to cooperate."

CD at 31

The Commission found that the refusal to cooperate was based on a lack of jurisdiction theory which the Commission saw as "no basis whatever for failing to cooperate with the administrative process." See 5 U.S.C. §556(d); ITC Rules 210.42(b).

CD at 32

TA-31 Steel Toy Vehicles RD and CD

The Commission recognizes the presumption of validity under 35 USC 282 and puts the burden of persuasion on the party attempting to prove the converse. This burden of proof is "clear and convincing." However, when there is relevant prior art not cited by the Examiner, the fact that the Examiner's attention was not called to all relevant prior art reduces the burden below the clear and convincing standard.

CD at 7,
adopting
RD at 31-32

TA-35 Golf Balls CD

The complainant has the burden of proving infringement. In Golf Balls, the Commission indicated they could have done this by obtaining one sample of the balls from each of the respondents, which should have been introduced into evidence, and then the claim of infringement made.

CD at 7

TA-55 Novelty Glasses CD

"Finally, although complainants' president, Mr. Michael Wilson, stated by affidavit that complainants' products have been widely and favorably known by the public and in the giftware industry as a result of this advertising, I must give his statement very little weight, in light of applicable case law. It is well settled law that statements by the manufacturers, or even distributors, of the article for which a protected design or mark is being sought are highly unreliable as being either biased or self-serving."

(Dissenting Opinion of Commissioner Parker)

CD at 4

307.1 Hearsay

TA-22 Reclosable Plastic Bags RD

Rule 210.42(b) implements Section 7 of the Administrative Procedure Act (5 U.S.C. 556).

It is clear that common law, or the Federal, rules of evidence regarding hearsay do not apply to the proceedings under these provisions, for administrative agencies have for over forty years under similar provisions admitted hearsay. Rather, the question raised by respondent is essentially one of reliability."

RD at 37

The reliability of this testimony is further enhanced by the fact that it may have been difficult or impossible to obtain it except by hearsay, since customers obtaining lower foreign prices are not likely to be available as witnesses for complainant.

RD at 38

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TA-29 **Steel Tubes** **CD**

The Rules allow for the use of hearsay evidence if it appears reliable and if the nature of the information and state of the particular case make it useful. The Commission used hearsay in this case since most foreign respondents had refused to answer the complaint or the Commission Staff's questionnaires (interrogatories).

CD at 31

TA-51 **Cigarette Holders** **CD**

The Commission determined that complainant's testimony to the effect that he had been told by various persons that articles infringing his patent were being imported into the U.S. in substantial quantities was insufficient to find a violation of §337. The record contained no documentary evidence corroborative of complainant's hearsay testimony.

(Opinion of Commissioners Parker, Moore and Bedell)

CD at 5

[redacted]

307.2 Privileges

[redacted]

307.21 Attorney/Client

[redacted]

307.22 Work Product

[redacted]

307.3 Confidential Information

TA-25	Above Ground Swimming Pools	RD

Confidential information is maintained in camera during the hearing pursuant to Rule 210.44(b). The date on which the confidentiality thereof expires has been made the subject of subsequent orders by the ALJ.

RD at 10

[redacted]

307.31 Business Confidential Information

TA-22 Plastic Bags RD

Substantial testimony at the hearing was received *in camera* according to Rule 210.44(b). Similarly, exhibits were preferred as evidence in reliance on the confidential treatment accorded such documents under the terms of a protective order issued by the ALJ. Release of such data would be injurious to the interests of the disclosing party, and therefore, was not to be made a part of the public record. The date on which the *in camera* treatment of documents and testimony expires is the subject of a subsequent order by the ALJ.

RD at 2

TA-39 Luggage RD

The ALJ granted an order of confidentiality for the parties' commercial business data for a period of five years. The active parties stipulated to the expiration of the confidential treatment after five years, and the ALJ found this to be a reasonable period of time.

RD at 9

307.32 Confidentiality of Settlement Negotiations

[redacted]

307.4 Expert Witnesses

TA-22 Plastic Bags RD

Experts are used in the interpretation of patents and the interpretation of the application of engineering principles to patents.

RD at 12

307.5 Parol Evidence

[redacted]

307.6 Admissions

[redacted]

308. Dismissal

TA-9 Hydraulic Tappets II — Commission Memo Opinion

Complainant moved to have the complaint of patent infringement dismissed without prejudice. The hydraulic tappets, which were alleged to infringe complainant's patent, were no longer being manufactured by respondent, nor will that manufacture be resumed, nor will they be imported into the United States.

Opinion at 2

TA-18 Monolithic Catalytic Converters — RD

"Since the words 'with prejudice' or 'without prejudice' can neither add nor detract from the efficacy of the termination of the proceeding, their use seems superfluous."

See U.S. v. Parker, 120 U.S. 89, 95; Kramer v. Javis, 86 F. Supp. 743, 745 (D.C. Neb.)

RD at 11

TA-20 Bismuth Molybdate Catalysts RD

> While the concepts of "with or without prejudice" may have certain legal connotations in courts of law where pleading concepts are somewhat more rigid than they are in administrative tribunals,... such legal connotations appear to be less meaningful in Section 337 proceedings. To illustrate, if this proceeding were to be dismissed "without prejudice," it would certainly not obligate this Commission again to institute a formal investigation or a new complaint. Conversely, if it were to be dismissed "with prejudice," that would not preclude this Commission from instituting another formal investigation either on its own motion or upon a new complaint upon showing "good cause" or "altered circumstances or changed conditions." The use of terms in an order or decision of this Commission would therefore appear to be relatively meaningless.

RD at 6

309. Summary Determination

TA- 3 Doxycycline RD

The requirements of section 210.50 for a summary determination had been met, and there was no genuine issue as to any material fact.

> "Rule 210.50 of the Commission rules provides that complainant's motion for summary determination should be granted if the pleadings, depositions, admissions and affidavits show that there is no genuine issue as to any material fact, and the respondents are entitled to a summary determination as a matter of law. Rule 210.50 is similar to Rule 56 of F.R.C.P."

RD at 25

TA-24 Exercising Devices CD

A motion for summary determination was filed and granted in this case where respondents had not taken part in the investigation.

CD at 2

TA-29 Steel Tubes RD

Respondent filed a statement with the Secretary of the Commission stating that they were withdrawing from taking part in the proceeding. The ALJ treated an appendix of their statement as a motion for summary determination.

RD at 12

TA-30 Photocubes CD

Summary determination is appropriate when pleadings, depositions, admissions on file, and affidavits show there is no genuine issue as to any material fact and that summary determination is warranted as a matter of law.

CD at 7

In this case, a motion for summary determination was filed several months after the preliminary conference.

CD at 2

Even though no reponses were filed, complainant was required to prove, on the record, sufficient facts to establish that there was a violation of the statute.

CD at 3

(Cont'd)

Even where there is no effective defense, the complainant must put on his proofs to demonstrate by evidence that the statute has been violated.

CD at 8

TA-35 Golf Balls RD

"[Summary determination] is especially appropriate in proceedings, as here, where a hearing, if held would include no presentation of evidence or even appearances by respondent parties. However, a summary determination has the same force and effect of a determination after a full hearing on the merits. Accordingly, Complainant and Staff must place on the record sufficient proof to establish each element of a Section 337 violation.

RD at 3

CD

Pursuant to Rule 210.50(b), the Commission stated "movant is entitled to summary determination if the pleadings and any depositions, admissions on file, and affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to a summary determination as a matter of law."

CD at 8

TA-50 Synthetic Gemstones CD

The Commission determined that the standards for granting a motion for summary determination under 19 C.F.R. §210.50 had not been met, in that genuine issues of material fact did exist and respondents had not shown their entitlement to summary determination as a matter of law.

CD at 2

Accordingly, respondent's motion for summary determination (Motion Docket No. 505) was denied.

The Commission rejected the RD that respondent's motion for summary determination be granted, finding the ALJ's recommendation to be erroneous for two main reasons:

(1) The ALJ erred as a matter of law in dismissing the dependent claims of the patent solely on the basis claim of the patent; and

(2) Genuine issues of material fact existed which warranted additional fact finding proceedings and hearings before the ALJ.

CD at 8

Further, the ALJ failed to accord the requisite statutory presumption of validity (35 U.S.C. 282) to each claim of the patent, independent or dependent, and the case was remanded for a determination of validity of claims 2-11 of the patent.

CD at 9

TA-59 Pump Top Containers RD

"The affidavits, depositions and pleadings allege uncontroverted facts establishing prima facie evidence of violation of §337 by Apollo, but not by Rollin. It is recommended that the Commission grant in part complainant's motion for summary determination."

RD at 7

TA-62 Rotary Scraping Tools RD-1
7/25/79

Before summary determination will be granted as a matter of law, the complainant, although the motion is unopposed, must still make a *prima facie* showing of violation as to each element of section 337. *See In re Certain Attache Cases*, 337-TA-49.

RD at 11

RD-2
9/18/79

[D]efective service of the motion does not affect the jurisdiction of the Presiding Officer to enter summary determination against these respondents, since they were properly served with the complaint and notice of investigation and did not respond thereto. Commission Rule 210.21(d) provides that the failure of the respondents to file a response within the prescribed time constitutes a waiver of its right to appear and authorizes the Presiding Officer, "without further notice to that respondent," to find the facts as alleged in the complaint and notice of investigation. Because no further notice to defaulting respondent is required, the procedural ommission of not serving them with the motion for summary determination should not prevent entering a recommendation adverse to their interests.

RD at 13

(Cont'd)

In a motion for summary determination where respondents are in default, it is necessary for the complainant to introduce reasonable available evidence sufficient to establish a prima facie violation.

[T]he findings of the ALJ based on an unsupported affidavit without exhibits of the merchandise are not acceptable for establishing infringement.

RD at 11

310. Default Judgment

TA-39 Luggage RD

"Although it is clear that none of the six respondents have responded in any manner to the complaint, it is fundamental in the law that a default judgment is not valid unless the forum has jurisdiction over the res which is the subject of the proceeding." Williams v. North Carolina, 325 U.S. 226 (1945).

RD at 6

The ALJ then went on to determine that the Commission did not have sufficient jurisdiction over the respondents and refused to issue a default judgment "where the complaint is fatally defective on its face, showing lack of jurisdiction. "

RD at 8

"The presiding officer, in his recommended determination of September 12, 1978, entered a finding of default under Commission rule 210.21(d) (19 CFR 210.21(d)) against two respondents by reason of their failure to respond to the complaint."

"The presiding officer in making his recommended determination and addendum thereto stated that the mere entry of a default for non-appearance does not obviate the need for an affirmative showing to support a finding of violation of §337 (RD at 4)."

"Therefore, the effect of a finding of default is to authorize the presiding officer to create certain procedural disabilities for the defaulting party and to entertain, without opposition, proposed findings and conclusions, based upon substantial, reliable, and probative evidence, which would support a recommended determination."

(Commission Opinion in Support of Order Terminating Certain Respondents, Declaring Matter More Complicated, and Remanding Matter)

Opinion at 6

TA-47 Flexible Foam Sandals RD

The ALJ granted a motion for default pursuant to rule 210.21(d) based on proper service, proof of receipt, and direct contact with at least one of the respondents of the other parties. Consequence of this failure to respond is the waiver of right to appear and contest the allegation, and the facts alleged against respondents may found to be true.

RD at 3

TA-49 Attache Cases RD

All four respondents, then, are in the same posture by failure of compliance with an order and by failure to meet the requirements of Rule 210.21. On this motion for default, however, even a finding under Rule 210.21(d) of waiver to appear and contest does not automatically lead to a conclusion that judgment should enter. The Rules authorize the Presiding Officer to do this, but the "sound discretion" referred to above must be first applied.

RD at 8

TA-49 Attache Cases CD

The granting of a motion for default pursuant to §210.21(d) does not automatically result in a finding of violation even if the presiding officer does not find the facts to be alleged in the complaint and notice of investigation. §210.53 of the rules indicates that when the presiding officer makes his findings of fact and draws his conclusions of law, they constitute merely a recommendation. This recommendation under the Administrative Procedure Act (to which §337 proceedings are subject) must be based upon "reliable, probative, and substantial evidence." 5 U.S.C. 556(d).

"[T]he effect of a finding of default is to authorize the presiding officer to create certain procedural disabilities for the defaulting party and to entertain, without opposition, proposed findings and conclusions, based upon substantial, reliable, and probative evidence, which would support a recommended determination."

"Notwithstanding the failure of a respondent to participate, an affirmative order of this agency will not issue except when the Commission determines that there is a violation of the statute, which is supported by reliable, probative, and substantial evidence."

CD at 9-10

TA-55 Novelty Glasses CD

The effect of granting a default motion is merely to authorize the ALJ to create certain procedural disabilities for the defaulting party and to entertain, without opposition, proposed findings and conclusions, based upon substantial, reliable, and probative evidence, which would support a recommended determination. The Commission bases its final determination on its own review of the record as well as the recommended determination of the ALJ. A complainant is not, therefore, permitted under the rules to rely solely upon the allegations of its complaint to support an affirmative determination.

CD at 5

TA-62 Rotary Scraping Tools CD

The effect of granting a default motion is to authorize the ALJ "to create certain procedural disabilities for the defaulting party and to entertain, without opposition, proposed findings and conclusions based upon substantial, reliable and probative evidence which would support a recommended determination." The Commission bases its final determination on its own review of the record as well as the recommended determination of the ALJ. A complainant is not, therefore, permitted "to rely solely upon the allegations of its complaint to support an affirmative determination." *See Certain Electric Slow Cookers*, TA-42, p.6.

CD at 7

311. Termination

TA-6 Eye Testing Instruments CD

Commission ordered termination on March 31, 1976, based on complainant's motion to terminate due to a written agreement between the parties which resolved the patent infringement action.

TA-8 Electric Filters CD

Subsequent to initiation of the preliminary inquiry, sublicensing agreements were entered into between complainant's exclusive licensee and the foreign manufacturers. Complainant filed a request to terminate the investigation.

TA-11 Electronic Printing Calculators CD

Patent infringement action terminated because of settlement agreement between complainant, respondent, and foreign manufacturer, together with the consent judgment rendered by the U.S. District Court. These obviate any unfair acts or methods of competition.

TA-12 Automatic Tobacco Leaf Graders CD

Settlement agreement between complainant, foreign manufacturer, and domestic purchaser of the subject components, together with consent judgment in E.D. Virginia. Complainant filed a request to terminate the patent infringement action, and it was terminated.

TA-13 Liquid Propane Heaters RD and CD

The ALJ recommended that the investigation be terminated on the ground that a satisfactory settlement had been concluded, thus eliminating the possibility of any unfair methods of competition. Complainant and respondent requested that it be dismissed, based on the stipulation that if it were, respondent would not export into the U.S. the allegedly infringing article. The Commission ordered termination of the investigation on the basis of a finding that no violation of §337 presently exists.

TA-14 Audio Equipment CD

The action was terminated upon the request of the complainant, by reason of settlement agreements entered into between complainant, respondent, and the foreign manufacturer. The ramification of these agreements and a consent order to cease and desist entered into between respondent and the FTC have the effect of obviating any unfair methods of competition and unfair acts which are the subject of the complaint.

TA-15 Overlapping Digital Movements CD

Patent infringement action terminated due to complainant's motion based on a license agreement and the stipulation of dismissal in a civil action in the Southern District of New York entered into with respondent and foreign manufacturer.

TA-16 Angolan Robusta Coffee RD and CD

A Commission precedent for termination can be found in TA-8, wherein the parties were in a settlement agreement. In United States v. W.T. Grant Co., 345 U.S. 629, 633 (1953), the court was requested to enjoin an individual and six corporations from violating the antitrust laws. The court refused to issue the injunction stating:

> The necessary determination that there exists some cognizable danger of recurrent violation, something more than mere possibility which serves to keep the case alive. 5 U.S.C. 544(c)(1) encourages offers of settlement among the parties to a proceeding.

Apart from the settlement agreement, the contracts in dispute were cancelled and respondents provided complainants with monetary compensation and indemnification. Covenants not to sue were also signed.

TA-17 Record Players RD and CD

Investigation terminated on complainant's motion based on a settlement agreement which has the effect of obviating any unfair methods of competition or unfair acts. Termination does not constitute a determination by the Commission as to whether there have been unfair acts.

TA-18 Monolithic Catalytic Converters RD

§210.51(a) provides that any party may move to terminate a §337 investigation based upon a license agreement between the parties.

"JM would have the Commission continue this investigation not to determine whether unfair acts exist in violation of section 337, but instead to test the validity of the complainant's patent. This, of course, is not the proper function of the Commission in the conduct of a §337 investigation.... If there be no issue of unfair import practices as envisioned under §337, the Commission should no longer entertain jurisdiction."

RD at 7

TA-19 Glass Fiber Optic Devices CD

Commission terminated the patent infringement action pursuant to a joint motion by all named parties, based on a licensing agreement on the patent.

TA-20 Bismuth Molybdate Catalysts RD and CD

The RD was to terminate on grounds that there is "no basis for a determination by the Commission at this time of the existence of any unfair acts 'the effect or tendency of which is to destroy or substantially injure an industry...in the United States," since "it seems clear that there is no present importation of the NSKK catalyst."

RD at 2

CD

"The presiding officer is in error in basing his recommendation to terminate on the above grounds." The ALJ is under an obligation to recommend to the Commission... whether there is a violation of §337....

However, the Commission decided to terminate the investigation, determining there was no §337 violation, based on complainant motion to terminate. The Commission concluded that complainant conceded the unfair methods of competition and unfair acts alleged to exist have no effect or tendency to injure. Thus, the Commission determined there is no §337 violation, and terminated the investigation.

(Opinion of Commissioners Bedell and Moore)

CD at 3-4

Compare:

The Commission has no authority to terminate a §337 investigation it is conducting without making a determination as to whether there is a violation of §337.

CD at 7

(Cont'd)

[redacted]

"To adopt the [RD] in this investigation would be to effect precisely what Congress intended to prevent in enacting §337 -- multiplicity of suits. As precedent, it could entitle an importer to dismissal of an action against him simply by interrupting the importation of the articles under investigation.

(Dissenting Opinion of Commissioners Leonard and Moore)

CD at 9

Commissioner Parker held that no determination of violation is required where a complainant voluntarily moves to dismiss its own complaint.

TA-20 Bismuth Molybdate Catalysts CD

When complainant learned that respondent had imported a sufficient amount of the patented article to meet its needs for a number of years, it moved to terminate the investigation since it did not believe it could receive effective relief. The proceeding was terminated, and termination was affirmed on appeal. Rohm and Haas v. ITC, 544 F.2d 462, 193 U.S.P.Q. 693 (C.C.P.A. 1977).

TA-21 Dry Wall Screws RD and CD

The Commission issued a Notice of Investigation, and the Staff filed a motion to terminate.

The Commission stated:

"Section 554(c) of the Administrative Procedure Act requires the Commission to consider offers of settlement. The Commission may terminate a §337 investigation when a settlement has been reached between

(Cont'd)

[redacted]

the parties and the public interest permits such settlement. The investigation would continue notwithstanding a settlement if the Commission deemed a termination not to be in the public interest."

(Concurring Opinion of Commissioners Parker and Ablondi)

CD at 3

Commissioners Parker and Ablondi also stated:

> "Indeed, it would be contrary to the public interest to continue to expend public funds to continue to investigate an alleged violation which no longer exists."

CD at 4

TA-23 Color TV Sets CD

"The Commission has no authority to terminate a §337 investigation it is conducting without making a determination as to whether there is a violation of §337 in the matters under investigation (§210.5 and §210.53, ITC Rules). The language of §337 is imperative, not hortatory. If a complaint is properly filed within the scope of subsection (a), it is not within the province of the Commission to decide, as a matter of policy, whether to proceed. The investigation must be conducted."

CD at 13

TA-28 Knitting Machines CD

The Commission terminated the investigation based on:

1. respondent's motion prompted by discovery of previously undiscovered prior art alleged to be sufficient to invalidate the claims of the '704 patent; and
2. complainant's disclaimer and dedication of all claims of the '704 patent to the public.

CD at 1-2

TA-32 Dot Matrix Impact Printers CD

Based on a license agreement under which each party granted the other a non-exclusive license under each other's patents to make, use and sell the dot matrix impact printers, the ALJ's recommendation to terminate the investigation was complied with by the Commission. The Commission found that based on the license agreement, any alleged unfair trade practice or misuse of trade secrets had ceased.

CD at 3-4

TA-33 Sonar Light Shields Commission Memo Opinion

The Commission terminated an investigation into the alleged importation and sale of light shields for sonar apparatus infringing complainant's patent upon complainant's subsequent stipulation that imports of the light shields referred to in its complaint are not having an effect or tendency to substantially injure it.

Opinion at 1

[redacted]

TA-34 Machining Centers RD

Upon reconvening, the parties filed a joint motion to continue the hearing for forty-five days based on a preliminary settlement agreement presented to the Presiding Officer. This agreement purported to settle all the outstanding differences between the parties. Respondents, however, required approval of the Japanese Government of the terms of the agreement in accordance with the law of that nation. Accordingly, the Presiding Officer recommended that in lieu of a motion for a continuance that the parties file a motion to terminate contingent upon the Japanese Government's approval, together with a final copy of the settlement agreement and joint proposed findings of fact and conclusions of law. The Presiding Officer requested and obtained from the parties a stipulation that the parties would seek from the Commission a declaration that this proceeding is a more complicated case in the event the expected Japanese Government approval for some unforeseen reason would not be forthcoming so that the Commission would still be able to complete the investigation within the statutory limits.

RD at 2-3

TA-34 Machining Centers CD

"The Commission has found jurisdiction, although this was contested by Respondents, over the subject matter of this investigation and of the Respondents named by the Commission in its notice.

There is no violation of 19 U.S.C. 1337 because the Complainant has released Respondents from all liabilitiy in connection with the use of know-how and trade secrets related to the numerically controlled machining centers that are the subject of this investigation, and Complainant has licensed Respondents and Respondents have discontinued the use of the trademarks incorporating the name of Houdaille's Division."

CD at 4-5

TA-39 Luggage RD

Motions to terminate were granted as to two parties who made assurances that they are not presently, and will not in the future for the life of the patent, import or sell the product. Motions to terminate were denied as to two other respondents due to lack of assurances concerning future sales.

RD at 4

TA-40 Monumental Wood Windows CD

Based on the Commission investigative attorney's motions to terminate the investigation with prejudice, which was opposed by complainant and supported by respondent, and on complainant's admission that there was no present violation of §337 and indication to the ALJ that it would not present a case to prove past violation, the Commission ordered the investigation be terminated with prejudice to the complainant.

CD at 2-3

TA-41 Tile Setters CD

The Commission terminated the investigation pursuant to the recommendation of the ALJ because none of the six alleged unfair methods of competition and unfair acts enumerated in the Commission's notice of investigation remained viable. Five of the alleged unfair acts were omitted from complainant's prehearing statement, thus effectively removing them from consideration in adjudicating the case. The sixth alleged unfair act, that of patent infringement, was eliminated as an issue due to complainant's disclaiming the only claims at issue in the investigation.

CD at 2-3

TA-46 Telescopic Sight Mounts CD

The Commission terminated the investigation pursuant to joint motions to terminate which were accompanied by affidavits of two respondents, stating that respondents:

(1) discontinued exporting the patented product; and

(2) intend to export no more without written permission of complainant.

While no affidavit was received from the third respondent, because its only source of supply was one of the other respondents who had agreed not to export, the Commission found that failure of this respondent to file an affidavit should not impede its decision to terminate.

CD at 3

TA-48 Pressure Pads RD

The ALJ recommended termination of the proceedings pursuant to complainant's motion. The motion was filed based on respondent's discovery of a previously unknown German patent reference. The ALJ reasoned, "It is not a legitimate function of the forum to pursue to judgment the apparent invalidity of a patent where no risk of public or private harm results. Our concern is unfair import trade practices that cause a demonstable injury."

RD at 4

(Cont'd)

The Commission accordingly terminated the investigation based on a supplemental memorandum filed by complainant containing a settlement agreement. The Commission terminated the investigation since the respondents have ceased distributing allegedly unfair promotional and advertising material, and the complainant has agreed not to assert the claims of the '173 patent against the respondents.

CD at 4

TA-50 Synthetic Gemstones RD

The ALJ recommended termination of the investigation on the basis of the licenses and liability releases in a negotiated agreement, consequently showing no evidence of an unfair act or methods of competition, and thus no evidence of a present violation of §337.

"This agreement includes stipulations of dismissal of this investigation and other co-pending proceedings in the federal courts. Additionally, the agreement releases respondents from liability for infringement of the suit patent and provides for a royalty-bearing non-exclusive license to Cathay Corporation to manufacture for importation into the United States goods covered by the Queensbury German patent or patent application that are equivalent to the patent in suit. Domestic customers of Cathay Corporation who resell articles to Canada covered by their Canadian patent equivalent to the patent in suit are also granted a royalty-bearing non-exclusive license under the Canadian patent."

RD at 2

[redacted]

TA-50 Synthetic Gemstones CD

In voting to terminate the investigation, the Commission did not find it necessary or proper to make a determination of whether there was a §337 violation. "Inasmuch as the parties have entered into a settlement agreement, it has not been necessary to spend time and funds to develop a record before the ALJ containing sufficient reliable, probative evidence upon which to make [such] a determination...."

See 5 U.S.C. 556(d).

CD at 6-7

Compare Commission Moore's view:

Commissioner Moore points out that the majority avoids that question as to whether a determination of violation or no violation is necessary, as required by section 337(c) of the Tariff Act of 1930, as amended, and by section 210.55(a) of the Commission's *Rules of Practice and Procedure*. He believes that the majority's avoidance of this question is unexplainable in view of the majority's adoption of the findings of fact and conclusions of law of the administrative law judge.

Commissioner Moore suggests if the majority wishes to distort the clear intent of the Congress in this case by following the general rule of terminating §337 investigations without a determination of whether or not there is a violation of section 337, as enunciated by the majority in *Alternating Pressure Pads*, and in this case, then it should do so specifically by amending section 210.55(a) of the Commission's *Rules of Practice and Procedure*.

(Cont'd)

For further amplification of Commissioner Moore's views on this issue, see footnote 1, p. 4 of the Commission Notice of Termination in Alternating Pressure Pads (Investigation No.337-TA-48, reprinted in the Federal Register of Mar. 6, 1979 (44 F.R. 12286)).

CD at 2, FN 1

TA-53	Swivel Hooks and Mounting Brackets	CD

The Commission concluded that the public interest would be served by terminating the investigation after considering 5 U.S.C. 554(c)(1) of the Administrative Procedure Act, which provides that agencies consider offers of settlement where the public interest permits. Specifically: the settlement agreement did not appear to be anticompetitive; termination would eliminate any further expenditure of government resources in connection with the investigation; and no adverse comments with respect to the settlement agreement of the public interest were received from interested federal agencies or members of the public.

CD at 3

TA-57 Cattle Whips CD

This case is the first patent-based §337 investigation to have resulted in a consent order agreement. In the agreement, respondents do not concede infringement of the patent at issue, but signed the agreement for settlement purposes only.

Commissioners Alberger and Stern believe that in patent related §337 cases, which are essentially private disputes, settlement agreements (which are agreements between the adverse parties only and do not involve the Commission as a party or enforcer) are preferable to consent order agreements (which require continuing Commission monitoring and enforcement). Continued government regulation of private rights where the parties can agree to resolution of their disputes is wasteful and unnecessary.

CD at 4

TA-58 Fabricated Steel From Japan RD

"Although complainant has announced its complaint is 'withdrawn', such a unilateral act by itself cannot end this investigation. Unlike comparable federal court litigation, it is the Commission's notice of investigation that determines the vitality of a §337 proceeding and not the participation of the originally complaining party. It is conceivable that even with total non-participation by the complainant, the Commission, in an appropriate case involving public interest concerns, might desire the investigation to continue with the Commission investigative attorney assuming complainant's role."

RD at 4

TA-58 Fabricated Steel From Japan CD

Having considered complainant's motion to terminate the recommended determination by the ALJ, the Commission determined that there is no violation of §337 and terminated the investigation. The Commission then, agreeing with the ALJ that it was not under his auspices to consider, denied complainant's request for a §332 investigation.

CD at 2-3

TA-61 Cyclotrons CD

The Commission concluded that the public interest will be served by the acceptance of the proposed consent order agreement and termination of the investigation. The order provided that the parties waive:

(1) further procedural requirements, including the requirement that the Commission make a determination under §337(c) of the Tariff Act;

(2) judicial review of the consent order;

(3) the requirement that the Commission's decision contain a statement of findings of fact and conclusions of law; and

(4) any other challenge or contest to the validity of the consent order.

(Cont'd)

[redacted]

The consent order states that respondents do not concede the infringement issue, but signed the consent order for settlement purposes only.

CD at 5-6

The Commission found that the consent order agreement did not appear to be anticompetitive, would eliminate further government expenses, no adverse public comments had been received, and the Commission would retain jurisdiction despite termination.

CD at 7

TA-63/65 Resistor Chips CD

The Commission terminated the investigations based on a settlement agreement whereby:

(1) all outstanding disputes between the parties were ended;

(2) payments were made by both parties;

(4) a royalty fee was paid by one party to the other; and

(5) agreements not to sue with regard to both patents were arranged.

These investigations had commenced with the complaint of Vishay alleging misappropriation of trade secrets by Sfernice (Inv. No. 337-TA-63) and were followed by Sfernices's allegation that Vishay engaged in unfair practices in restraint of trade.

CD 1-3

TA-66 Plastic Molding Apparatus CD

In terminating the investigation, the Commission expressly declined to make any finding with regard to violations of §337. Citing Alternating Pressure Pads, Inv. No. 337-TA-48, and in accord with §337(c), the Commission stated that nothing in the legislative history or language of §337(c) indicates that Congress intended §337 to limit the provisions of the Administrative Procedure Act. Additionally, the decision to make no determination was found to be particularly appropriate here where no formal evidentiary record was made because of insufficient evidence in light of the settlement agreement.

TA-70 Coat Hanger Rings CD

In terminating the investigation based on a settlement agreement, the Commission found it unnecessary to make a determination as to violation. In reaffirming its holding in Alternating Pressure Pads, TA-48, the Commission determined that it was not necessary or proper under these circumstances to expend time and funds to develop a record before the ALJ containing sufficient reliable, probative, and substantial evidence upon which to make a determination of violation.

CD at 2

TA-70 Coat Hanger Rings CD

The Administrative Procedure Act (APA) provides that agencies shall consider "offers of settlement" where "the public interest permit(s)". 5 USC §554 (c)(1). We have concluded that the public interest would be served by terminating this investigation. First, we find that the settlement agreement does not appear to be anticompetitive. Second, no adverse comments with respect to the settlement agreement or the public interest from interested federal agencies or members of the public were received, after publication of a notice in the Federal Register asking for comments.

CD at 1

TA-71 Anaerobic Impregnating Compositions CD

In Rohm and Haas Co., v. International Trade Commission, 193 USPQ 693 (C.C.P.A. 1977), the complainant before the ITC filed a motion for an order granting complainant leave to dismiss without prejudice, terminating the investigation. The ITC granted the motion. The ITC memo opinion indicated that complainant had conceded that the unfair acts alleged in the complaint had no effect or tendency to injure the relative industry in the United States. On that basis, the Commission determined that there is no violation of §337.

The CCPA concluded that this determination was clearly inconsistent with the granting of a motion to dismiss without prejudice, and that the order to terminate the investigation and to dismiss was with prejudice to the complainant. The court expressed that the ITC's determination of no §337 violation was inconsistent with the granting of dismissal without prejudice.

Based on the Rohm and Haas case, complainant in the instant case can withdraw its complaint with prejudice if it conceives that it cannot prove a §337 violation.

CD at 2-3

[redacted]

TA-81 Kidneys CD

The parties, including the Commission investigative attorney, moved to terminate the investigation based upon a settlement agreement. The essence of the agreement was that complainant granted to respondents a nonexclusive sublicense to import and sell hemodialysis and oxygenation devices, including hollow fiber artificial kidneys, in the United States for the remaining term of the patent. In return, Complainant was to receive a specific amount of money. The ALJ certified the motion to terminate with her recommendation that the motion be granted. The Commission agreed with the ALJ's recommendation and stated:

> The Department of Health and Human Services (hereinafter H.H.S.) filed the only objection to the settlement agreement. Depending upon the precise royalty called for in the settlement agreement and the extent to which that royalty would increase the market price of hollow fiber artificial kidneys, H.H.S. warned of the following possibilities:
>
> 1. The Federal government may be required to pay a higher price for hollow fiber artificial kidneys through higher Medicare payments;
>
> 2. There may be pressure placed upon the Federal government to increase the maximum amount which Medicare will pay for such kidneys; and
>
> 3. Possible increased cost of such kidneys could compel doctors to substitute inferior grades of kidneys.
>
> However, after the confidential royalty figures were revealed to H.H.S. with the permission of the parties, that agency concluded that the settlement agreement would not compromise the public interest.

CD at 2

[redacted]

312 Reopen Record

TA-29 Steel Tubes RD

Presiding Officer, _sua sponte_, reopened evidentiary record for sole purpose of admitting Council on Wage and Price Stability's "Report on Prices and Costs in N.J. Steel Industry" on grounds of (1) potential relevance to investigation; (2) secondary nature of much evidence adduced at hearing; and (3) fact that President, to whom Report addressed, also reviews affirmative §337 determinations. Parties permitted opportunity to comment on relevance and credibility of Report and facts therein, but presiding officer expressly refrained from ruling on relevance or materiality of Report.

RD at 14

TA-37 Skateboards RD

Complainant filed a motion on June 30, 1978, requesting that the proceedings be reopened, which was opposed by respondents. The motion to reopen record was filed barely two weeks before the RD deadline and over two weeks past the absolute deadline of June 11 for completion of hearing. "The parties had ample notice of these time limits. To reopen the record at this date without good cause would be unjustifiably burdensome on the other parties and an undesirable precedent, especially for §337 investigations with their Congressionally mandated absolute time limits."

RD at 4

"The goal of a complete record cannot permit introduction of evidence far after the appointed time simply to permit a party to reverse itself in an earlier tactical decision."

See Noonan v. Richardson, 338 F. Supp. 734, 736 (W.D. Pa. 1972), in which the court held that good cause for admitting evidence that was previously withheld by choice of counsel cannot be found unless that evidence was not available at the time the decision not to introduce that evidence was made.

RD at 5

313 Recommended Determination (RD) and Commission Determination (CD)

TA-25 Above Ground Swimming Pools RD and CD

The parties continued filing briefs after reply briefs were due and filed when new issues were raised in reply briefs. The ALJ, however, did not permit this practice and did not consider submissions made subsequent to the reply briefs.

RD at 7

Those findings of the RD not controverted by the parties are not at issue before the Commission.

CD at 4-5

TA-40 Monumental Wood Windows RD

"The parties can stipulate facts, on which the ALJ can base a finding that there is or was no §337 violation, but the parties would not stipulate the facts here. In the absence of a stipulation of facts in this case, it is not appropriate to make findings beyond the scope of the affidavits filed."

"It is therefore recommended that a finding of no evidence of past or present violation be construed as satisfying the language of §337(c), which requires that the Commission determine whether or not there is a violation of this section with respect to each investigation conducted."

RD at 5

[redacted]

The doctrine of collateral estoppel applies to administrative proceedings in which an agency is acting in a judicial capacity and resolves issues of fact which the parties have had an adequate opportunity to litigate. United States v. Utah Construction & Mining Co., 384 U.S. 394, 921-922 (1966). Traditionally, the doctrine applied only if both parties or those parties in privity with them in a second lawsuit were bound by a judgment in a previous case. In applying the doctrine, the Courts will consider factors such as whether the party adversely affected had a full and fair opportunity to litigate the issue, Berner v. British Commonwealth Pacific Airlines, Ltd., 346 F.2d 532 (2d Cir. 1965), cert. denied, 382 U.S. 983 (1965) and whether assertion of the plea of estoppel by a stranger to the judgment would create an anomalous result. The requirement of mutuality was abandoned with respect to prior adjudications of patent validity in Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971) on the theory that estoppel should be allowed to be raised against a party who has already litigated an issue once and lost. The Blonder Tongue decision has also been interpreted as eliminating the requirement of mutuality of estoppel in cases where the process or apparatus involved was found not to infringe a plaintiff's patent in a prior proceeding. Ransburg-Electro-Coating Corp. v. Spiller & Spiller, Inc., 340 F. Supp. 1385 (N.D. Ill. 1972).

In this proceeding, the requirements of collateral estoppel have been met. The facts in this investigation meet the test under the Blonder Tongue doctrine since the Huang Well process is identical to Tong Seae's and Sealed Air had an adequate opportunity to litigate the issue of whether the Tong Seae process infringed the '984 patent. Additionally, the application of the doctrine will not produce results which are inconsistent with the prior investigation on the question of infringement or the U.S. Court of Customs and Patent Appeals decision as to the Commission's determination. Therefore, since the doctrine of collateral estoppel applies, Sealed Air is barred from relitigating the issue of infringement as to the Tong Seae process in the instant proceeding.

CD at 4-5

The doctrines of res judicata and collateral estoppel are based on the interest of the parties and the public in preventing repeated litigation (other than in appeals) of the same issues by parties who lost in the first proceeding. Under the doctrine of res judicata, a judgment on the merits in one action constitutes an absolute bar to a subsequent action between the same parties upon the same claim. Collateral estoppel is slightly different. It prevents relitigation of the same issue in a suit upon a different claim or cause of action. Lawlor v. National Screen Service Corp., 349 U.S. 322 (1955).

The question of whether the doctrines of res judicata and collateral estoppel should be applicable to administrative proceedings has been debated for a number of years. See Kenneth Culp Davis, 2 Administrative Law Treatise, Chapter 18 (1958). Professor Davis suggests that the doctrine should be applicable to administrative proceedings involving adjudication of past facts, Davis, supra, p. 626. This case involves adjudication of past facts.

The 1942 edition of the American Law Institute Restatement of Judgments discussed res judicata in connection with courts only:

> Where a reasonable opportunity has been afforded to the parties to litigate a claim before a court which has jurisdiction over the parties and the cause of action, and the Court has finally decided the controversy, the interests of the State and the parties require that the validity of the claim and any issue actually litigated in the action shall not be litigated again by them.

(Cont'd)

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> A draft of a revised Restatement of Judgments (Second) was approved by the American Law Institute in June 1980. This draft suggests that the doctrine of res judicata should be applicable to an administrative tribunal, subject to the same exceptions and qualifications as a judgment of a court. It provides that, except for certain exceptions, a valid and final adjudication by an administrative tribunal has the same effect under the rules of res judicate, subject to the same exceptions and qualifications, as a judgment of a court.
>
> RD at 3-4

Although the Commission's Rules are silent on this subject, it would be fair under certain circumstances to permit a party to relitigate an issue in a Section 337 case based on fraud, mistake, or changed conditions of fact, law, or public policy. This could be done by filing a motion to the Commission to reopen the original proceeding for good cause. A procedure for reopening should be available especially in cases where a respondent is subject to a continuing order.

If in the original proceeding a respondent has been found to have imported products infringing a U.S. patent, and an order is issued, that respondent should be able to petition the Commission to reopen the case to reconsider the terms of the order upon a showing of good cause. For example, there may be a significant change in public interest if an excluded product is essential to U.S. industry and it is no longer available from domestic sources.

(Cont'd)

[redacted]

> In a case involving a Federal Trade Commission order, *In re P. Lorillard Co.*, (4th Cir. 1959), 1959 *Trade Cases* ¶62,747, the United States Court of Appeals held that the respondent was in contempt of court when it advertised that the nicotine content of its cigarette was less than in other leading brands, even if the advertising claims were now truthful because of a change in the cigarette. The court found that the advertising violated an FTC order. When the facts changed so that the prohibited claims were no longer false, the respondent had an obligation to apply to the Commission for a revision of the order. Unless P. Lorillard filed a motion to modify the order, its defense that the advertisement was now truthful wold not be heard in an enforcement proceeding based on a violation of the existing order.
>
> This Commission, unlike the Federal Trade Commission, does not have a rule expressly providing for a motion to reopen for good cause based on a change in fact, law, or public policy. Such a rule would be broad enough to cover all situations which would require reopening, and whether the case would be reopened would depend upon whether good cause was shown. The Commission also does not have an established history in Section 337 cases of permitting reopening where good cause is shown. If such relief is not available from the agency which issued the order, a respondent could seek this relief in court. In appropriate circumstances the Commission should permit reopening of a Section 337 proceeding, so that an order can be modified when the facts justify it, as indicated by the court in the *P. Lorillard* case.

RD at 5-6

(Cont'd)

> In the 54-A case the Commission cannot reconsider the questions of whether the Tong Seae process infringes the '948 patent because Tong Seae is not a party to the 54-A case. The Commission could not reconsider its prior ruling unless it formally reopened the 54 case and heard Tong Seae's arguments as well as Sealed Air's. The doctrine of collateral estoppel would prevent relitigation of this issue in a second proceeding, and due process would require that Tong Seae be given an opportunity to participate if the original proceeding were reopened for good cause. If the Commission made a factual mistake in the old record, again Sealed Air's proper remedy at this time is the appeal to the C.C.P.A. in the 54 investigation.
>
> Collateral estoppel has been held to bar subsequent litigation of issues that are similar but not identical. Westwood Chemical, Inc. v. Molden Fiber Glass Body Co., 498 F.2d 1115 (6th Cir. 1974). In the instant case, the new record contains a few more facts which are not inconsistent with the prior record. The new facts do not change the issues significantly. Collateral estoppel would bar relitigation of substantially the same issues by Sealed Air.
>
> RD at 8

314. Appeals

§337(c)

"(c) DETERMINATION; REVIEW.- The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section. Each determination under subsection (d) or (e) shall be made on the record after notice and opportunity for a hearing in conformity with the provisions of subchapter II of chapter 5 of title 5, United States Code. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d) or (e) may appeal such determination to the United States Court of Customs and Patent Appeals. Such court shall have jurisdiction to review such determination in the same manner and subject to the same limitations and conditions as in the case of appeals from decisions of the United States Customs Court.

TA-20 Bismuth Molybdate Catalysts

Respondents appealed to the C.C.P.A. arguing they were injured because the Commission proceeding had been terminated without a final determination as to whether §337 had been violated. But the C.C.P.A. pointed to language of the court showing a determination of no injury, and thus, appellants could not show they had been adversely affected as described in §337(c). The C.C.P.A. compared §337(c) to §10(a) of the APA (5 U.S.C. 702) and stated that the terms "adversely affected" or "aggrieved" require a showing of injury in fact.

See *Rohm and Haas Co*. v. *ITC*, 554 F. 2d 462, 463, 193 U.S.P.Q. 693, 694 (1977).

Complainant High Voltage Engineering Corporation petitioned the Commission for reconsideration of its determination. The Commission voted to deny the request because it did not comply with the Commission rule requiring that any petition for reconsideration "be confined to new questions raised by the determination . . . upon which the petitioner had no opportunity to submit arguments." 19 C.F.R. §210.56.

The petition raised four questions: (1) The intent of Congress in enacting the National Science Foundation Act of 1950, 42 U.S.C. §§1861-1884; (2) the relative performance of spiral and other inclined-field acceleration tubes; (3) complainant's ability and willingness to furnish spiral-field acceleration tubes; and (4) complainant's willingness to license users of imported spiral-field tubes.

The Commission stated:

> Complainant misunderstands the way in which the Act figured in the Commission's determination. The Commission opinion . . . cited the National Science Foundation Act as evidence that Congress considers basic scientific research to be important to the public health and welfare, not, as complainant alleged, as authority for overriding a patent owner's rights. The authority for overriding a patent owner's rights is subsection 337(d) of the Tariff Act of 1930, 19 U.S.C. §1337(d). As the petition pointed out, the National Science Foundation Act expressly does not authorize the Foundation to enter into contracts inconsistent with patent law. 42 U.S.C. §1871. The Commission is not convinced, however, that that provision must be read together with section 337. Furthermore, section 337 is to operate "in addition to any other provisions of law." 19 U.S.C. §1337(a).

(Cont'd)

As to the second issue, the petition raised no new question. The relative performance of the complainant's and respondent Dowlish Developments' tubes was addressed in public-interest submissions by users of both tubes, including two submissions supporting complainant's side of the case that were admitted to the record well after the deadline for submissions.

Order at 2

Finally, complainant's willingness to license use of infringing articles was not material to the Commission's determination, nor is it a new issue in the case.

Order at 3

400. Patents - Terms of Art

401. Subject Matter

402. Three Main Elements

402.1. Novelty

TA-4 PTFE Tape CD

"[C]ourts have long held that even one unrestricted sale of the product prior to the critical date is sufficient to invalidate the patent." *See Kalvar Corp*. v. *Xidex Corp*., 384 F.Supp. 1126, 1129 (1973). The patent is unenforceable because it was anticipated and a product meeting the claims of the patent was on sale in the U.S. more than one year before.

CD at 11

TA-35 Golf Balls RD

The patent claim on the golf ball was held to possess *novelty*, even though it was impossible visually to determine whether the imported balls infringe the claim of the patent, because the invention was in the *chemical* composition. Chemical tests performed at an independent testing laboratory showed an infringing formulation of the constituent ingredients.

RD at 4

TA-43 Trash Pumps RD

Novelty in a patent can be disproved by showing anticipation or aggregation. *A.E. Staley Mfg. Co.* v. *Harvest Brand, Inc.*, 452 F.2d 735 (10th Cir. 1971), *cert. denied* 406 U.S. 974 (1972).

RD at 40

402.1

TA-56 Thermometer Sheath Pkgs RD

"To avoid anticipation and satisfy the novelty requirement, it has been generally held that the degree of physical difference which must exist between that which is sought to be patented and the prior art need be only slight. See *United States* v. *Adams*, 383 U.S. 39, 148 USPQ 479 (1966)."

RD at 23

TA-56 Thermometer Sheath Pkgs. CD

In finding the patents satisfied the novelty requirement, the ALJ stated that "the Poncy sheath package is *substantially different* from all of the preceding prior art references." RD 25-26 (emphasis added). This determination goes far beyond the necessary demonstration for novelty; as the ALJ noted, only a slight physical difference in the invention need exist for it to be novel. RD at 23. Thus, the recommended determination reveals a seeming contradiction in findings at the outset, because both novelty and nonobviousness are grounded in what is revealed by prior art.

CD at 18

[redacted]

TA-60 Crankpin Grinders RD

"Rejection of patent claims on the ground of old combination shall not be applied to a claim that includes an element which in its relation to the combination acts with other elements in a new manner so as to bring about a new, useful an unobvious result. In re Nelson, 137 F.2d 106 (C.C.P.A. 1943). "

RD at 16

"A combination to be patentable must disclose something new either in the combination itself or in the result achieved, and if either is new, it is immaterial that the combination is made up in a whole or in part of old elements. Knight v. Riegor, 212 F.935 (4th Cir. 1914); accord, Magowan v. New York Belting & Packing Co., 141 U.S. 332 (1891). A patent may possess novelty, though it consists of but a combination of prior arts in a manner of product a hitherto unattained result. Acme Foundry & Machine Co. v. Oil Well Improvement Co., 2 F.2d 530 (8th Cir. 1924), cert. denied 268 U.S. 704 (1925)."

RD at 16

"In order to establish lack of novelty or anticipation under 35 U.S.C. 102(b), all claim elements must be found in single prior art reference where they are combined in the same way and perform the same functions therein. In re Marshall, 578 F.2d 301 (C.C.P.A. 1978). "

CD 8 at 9

402.11. Anticipation

TA-4 PTFE Tape CD

"It is still the law, so far as we can tell, that to carry back the date of invention to a time before the date of application requires extremely reliable proof. United Shoe Machine Corp. v. Brooklyn Wood Heel, 77 F.2d 263 (2d Cir. 1935).

However, courts have held that an inventor's notes may corroborate the facts of conception and reduction to practice. Ritter v. Rohm & Haas Co., 271 F.Supp. 313 (S.D.N.Y. 1967). Since Gore's notes appear authentic, we consider them to serve as 'corroboration'."

CD at 5

TA-31 Steel Toy Vehicles RD

Nothing in the record definitely corroborates a use or sale of cars with the modified wheel one year before the application date for the patent. Such a record lacks the showing required to invalidate a patent by anticipation under 35 U.S.C. 102(b).

Respondents argue that proof of a prior sale is sufficient to invalidate a patent without corroboration under Whiteman v. Mathews, 216 F.2d 712 (9th Cir. 1954) and A.J. Industries, Inc. v. Dayton Steel Foundry Co., 394 F.2d 357 (6th Cir. 1968). However, Whiteman, at 716, expressly discusses the testimony concerning prior public use as coming from a disinterested witness that is corroborated by another disinterested witness to establish anticipation in the prior art.

CD at 35

TA-37 Skateboards RD

"It is settled that, as a general rule, a purported invention is not anticipated unless all of the elements are found in exactly the same situation and united in the same way to perform an identical function in a previously known product. Shelco Inc. v. Dow Chemical Co., 466 F. 2d 613, 614 (7th Cir. 1972), cert. den., 409 U.S. 876 (1972); also see Mobil Oil Corp. v. W.R. Grace & Co., supra at 230-31. Since the kicktail skateboard claimed in the suit patent is not identically disclosed by the rocker skateboard, I conclude and would hold that the suit patent is not invalid by reason of anticipation by the rocker skateboard under 35 U.S.C. 102(a). It should be noted that, as in this case, prior art insufficiently similar to anticipate may still render the invention obvious. Popeil Brothers, Inc. v. Schick Electric Inc., 494 F.2d 162, 167 (7th Cir. 1974)."

RD at 41

TA-39 Luggage RD

"[T]he defense of anticipation is strictly a technical defense and unless all the same elements are found in exactly the same situation and united in the same way to perform an identical function, there is no anticipation. Illinois Tool Works, Inc. v. Sweetheart Plastics, Inc., 436 F.2d 1180 (7th Cir. 1971), cert. denied, 403 U.S. 942; Amphenol Corp. v. General Time Corp., 397 F.2d 431, 438 (7th Cir. 1968)."

RD at 40

[redacted]

402.11

TA-43 Trash Pumps RD

"In order to have anticipation of alleged invention, all of the elements of the patented device or their equivalents must be found in a single prior device, but it is sufficient if general aspects are the same and difference in minor matters is only such as would suggest itself to be one of ordinary skill in the art. *Amphenol Corp*. v. *General Time Corp*., 397 F.2d 431 (7th Cir. 1968); *U.S. Movidyn Corp*. v. *Hercules, Inc*., 388 F. Supp. 1146 (D.C. Minn. 1975); *Package Devices, Inc*. v. *Sun Ray Drug Co*., 301 F. Supp. 768 (D. C. Pa. 1969), aff'd 432 F.2d 272 (3d Cir.1970), *cert. denied*, 401 U.S. 956 (1971)."

RD at 40

"Anticipation of patent claims is not established by operation of prior devices with important or essential parts omitted. *American Tri-Eigon Corp.* v. *Altoona Publix Theaters, Inc.*, 5 F. Supp. 32 (D.C. Pa. 1933), *aff'd* 72 F.2d 53 (3d Cir. 1934), *cert. denied*, 293 U.S. 587 (1934) *rev'd on other grounds*, 294 U.S. 477 (1935), *reh. denied*, 294 U.S. 734 (1935)."

RD at 41

TA-60 Crankpin Grinders CD

Respondents argue that the automatic crankpin grinder embodying the suit patent was shown and operated by complainant at a machine tool show five months before the suit patent was filed. This argument is without merit since §102(a) is directed to a prior use or knowledge of others in this or a foreign country at a time before the applicant's date of invention. The machine tool display was also by applicant's assignee, and not by "others". The record further supported the fact that the patentees were the first inventors and conceived and developed the subject matter prior to the machine tool show.

CD at 8

"Most importantly, since a claim of anticipation cannot legally be sustained by multiple prior art references, respondents' allegation of invalidity based on 102(b) fails."

CD at 9

TA-60 Crankpin Grinders RD

To constitute anticipation, all material elements recited in a patent claim must be identically disclosed or described in one unit of prior art. Application of Marshall, 578 F.2d 301, 304 (C.C.P.A. 1978), citing In re Arkley, 455 F.2d 586, 587, 59 C.C.P.A. 804, 807, 172 USPQ 524, 526 (1972); and Soundscriber Corp. v. United States 360 F.2d 945, 175 Ct. Cl. 644, 148 USPQ 298, 301 (1966).

RD at 12

As stated in Application of Land & Rogers, 368 F.2d 866, 878 (C.C.P.A. 1966), the real issue is whether all the evidence, including the references, truly shows knowledge by another prior to the time appellants make their invention or whether it shows the contrary. Respondents' attempts to characterize complainant, the employer of the inventors prior to and subsequent to the time of invention, as "others" with prior knowledge or use of the invention within the meaning of Section 102(a) is specious reasoning. [B]y extension of the co-inventors' rationale in Land & Rogers, supra, we are dealing with inventors who worked closely together for their common employer - assignee, complainant, and, therefore, any knowledge imparted to complainant in the course of that relationship cannot be deemed to have disclosed prior art by prior knowledge or use as to the invention, e.g., by producing the machine for the Show, even if the complainant had legal status as "others."

RD at 14

402.11

TA-72 Turning Machines RD

Proof of anticipation requires a showing that all the elements of a patented device or their equivalents are found in a single, pre-existing structure or description. American Seating Co. v. National Seating Co., 586 F.2d 611, 199 USPQ 257, 261-62 (6th Cir. 1978), cert. denied, 441 U.S. 907 (1979). Thus, the reissue patent is anticipated if the Montforts machine is a substantially identical machine whose elements perform substantially the same work in substantially the same manner. See Saf-Gard Products, Inc. v. Service Parts, Inc., 532 F.2d 1266, 1270 (9th Cir. 1976), cert. denied, 429 U.S. 896 (1976).

RD at 79

402.12. Forgotten Invention

402.13. "In this Country"

402.2. Utility

TA-31 Steel Toy Vehicles RD

Generally speaking, non-functional design features are those which do not contribute to the utility, durability, or effectiveness of a product. *Filter Dynamics International* v. *Ashran Battery, Inc.*, 183 USPQ 102, 109. Such design features must be completely arbitrary, either individually or in conjunction with each other and consequently serve to identify the product with its manufacturing source. The requirement of non-functionality is intended to prohibit a manufacturer who has failed to obtain a patent monopoly over an item of utilitarian value from obtaining a similar monopoly under the trademark laws. The distinction is important because trademark protection is perpetual whereas patent protection is for only a limited term. *In re Deister Concentrator Co., Inc.*, 289 F.2d 496, 499 (C.C.P.A. 1961).

RD at 41

The courts have protected manufacturers from imitators of ice cream cone shaped parking meters (*Time Mechanisms, Inc. v. Oonaar Corp.*, 422 F.Supp. 905 (D.C. N.J. 1976) and also boats which incorporate similar distinctive side styling. *Nescher* v. *Western States Marine Products Inc.*, Civil Action No. 76-3187 MML(C.D. Cal. 1977). As these two cases indicate, the fact that a design is aesthetically attractive or might serve a useful purpose, does not dictate that the design is primarily functional.

RD at 41-42

Presumably, all designs are created, at least in part, for aesthetic appeal. In order to remain outside the scope of the protection of the law, the "goods must be bought largely for their aesthetic value," and if such aesthetic value predominates in the buyer's choice, "then features may be functional because they definitely contribute to the value [of the good] and thus aid the performance of an object for which the goods are intended." *Restatement of Torts*, Sec. 742 (1938).

RD at 42

(Cont'd)

[redacted]

In addition, it is clear that designs do not become "functional" simply because they also serve a useful purpose. Many designs consist of simply the form or shape given to a quite functional good, such as an automobile or boat. This principle was best discussed in Nescher, supra.

RD at 14

The law of "passing off " does not require that the features be completely non-functional, but merely that they be "primarily non-functional." Time Mechanisms, supra, at 914. Stated another way, functionality must be incidental, de minimus, or secondary. In re Deister, at 503.

RD at 43

TA-31 Steel Toy Vehicles CD

It is the degree of arbitrariness of the construction which underlies the requirement of non-functionality. The purpose of the non-functionality requirement in examining the actions of alleged imitators is to permit unrestricted competition between unpatented functional products so that the public benefits from useful progress in the industrial and commercial arts. Truck Equipment Service Co. v. Fruehauf Corp., 536 F. 2d 1210, 1218 (8th Cir. 1976). The law grants protection where competition may be undertaken without limitation. Truck Equipment Service Co., supra, at 1218. Here, where the design alternatives number in the thousands, it is clear that competition will not suffer if merely one of those alternatives is protected from limitation.

CD at 29

TA-37 Skateboards RD

"Indeed, there is no requirement that the mode or method disclosed in the patent be in fact the optimum mode for carrying out the invention. App. of Gay, 309 F.2d 769, 773 (C.C.P.A. 1962). Also, the best mode requirement may only require disclosure of methods the inventor has reduced to practice. Columbia Broadcasting System, Inc. v. Zenith Radio Corporation, 391 F. Supp. 780, 791 (N.D. Ill. 1975). Also to be taken into consideration are the overriding economic considerations which limited Complainant's means for demonstrating the best mode for putting his invention into practical use. See Union Carbide Corp. v. Borg-Warner Corp., 550 F.2d 355, 361 (6th Cir. 1977)."

RD at 43

TA-51 Cigarette Holders CD

"The use to which an article is put is immaterial to its patentability as a design. If the prior art discloses any article of substantially the same appearance, it is not relevant that the prior article is used for a different purpose. Application of Glavas, 230 F.2d 447, 450 (C.C.P.A. 1956)."

(Concurring Opinions of
Commissioners Alberger and Stern)

CD at 8

TA-51 Cigarette Holders RD

"To be valid, a design patent must disclose a design that is new, original, and unanticipated. The use to which an article is to be put has no bearing on its patentability as a design. If the prior art discloses any articles of substantially the same appearance, it is immaterial what the use of such article is. H.K. Porter Co., Inc. v. Black & Decker Mfg, Co., 182 USPQ 401, 415 (N.D. Ill. 1974).

RD at 6

TA-51 Cigarette Holders RD

"The '931 patent is a design patent. The purpose for which a design is used is immaterial in determining whether the design is obvious. If the design is obvious, the design patent is invalid under 35 U.S.C. 103.

RD at 5

"Since enlarging the hole in the head of a common house key with a small hole in the head, the enlarged hole in the head of the key shown in the '931 patent was obvious as far as the design goes.

RD at 8

TA-55 Novelty Glasses CD

"[I]t is apparent that the design features of the complainants' product and package included nonfunctional features. The primary purpose of the complainants' designs is to provide a distinctive appearance by which consumers can identify the glasses as having come from one source. These products are novelty items and as such are designed to attract the attention of the ultimate user, the consumer. The design features are arbitrary and have no relation to the functional aspect of the item, i.e., to serve as a container from which to drink beverages. Instead, the design features merely serve to amuse...."

CD at 7

402.3. Nonobviousness

TA-5 Chain Door Locks RD and CD

One of complainant's patents was invalid for obviousness, not infringement. The parties agreed that the method to employ in resolving obviousness questions is set out in Graham v. John Deere & Co., 383 U.S. 1,18, 148 USPQ at 467 (1966):

> [T]he scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined. Such secondary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

CD at 22

The appropriate inquiry is whether the combination produces a nonobvious synergistic result. Anderson's Black Pack Inc., v. Pavement Salvage Co., Inc., 396 U.S. 57 (1969), in which the whole in some way exceeds the sum of its parts; A & P Tea Co., v. Supermarket Equipment Corp., 340 U.S. 147 (1950); Walker on Patents, §71 at 331 (2d Deller ed. 1964). In deciding what constitutes the "invention as a whole" within the context of 35 U.S.C. §103, we must find what problem the patentee discovered and his solution. Application of Aufhaser, 399 F.2d 275 (CCPA 1968).

CD at 29

TA-26 Solder Removal Wicks RD

The ALJ adopted the test of Graham v. John Deere Co., 383 U.S. 1,18, 148 USPQ 459, 467 (1966) in its analysis of the issue of obviousness for a determination of patent validity under 35 USC §103.

RD at 41

TA-31 Steel Toy Vehicles RD

The issue of obviousness of a given design is ultimately resolved subjectively according to the visual perception of the judge who finds himself cast in the role of the ordinary observer. In re Leslie, 192 USPQ 427, 439 (CCPA 1976).

RD at 37

The overall impression must be different for a design patent consisting of old elements to be valid. "In considering patentability of a proposed design the appearance of the design must be viewed as a whole..." In re Application of Jennings, 182 F.2d 207, 208 (CCPA 1950). Ex parte Fishback, 160 USPQ 30 (Patent Office Board of Appeal) holds that the presence of individual design elements in the prior art does not alone establish obviousness. But the design in question in that instance, a set of sign panels with letters, numbers, and symbols against distinctive backgrounds, gave a unique impression from the manner that prior art patterns were combined.

RD at 37

TA-37 Skateboards RD

"The statutory test of nonobviousness (35 U.S.C. 103) is what would have been obvious at the time of the invention to a person with ordinary skill in the art who had the prior art before him when he endeavored to solve the problem for which the patent was sought." Formal Fashions, Inc., v. Braimon Bows, Inc., 369 F.2d 536 (2nd Cir. 1966).

RD at 32

"The person of ordinary skill in the art is held to have knowledge of all relevant art, whether or not the patentee knew of it." Layne-New York Co., Inc. v. Allied Asphalt Co., Inc., 501 F.2d 405 (3d Cir. 1974); Arrow Safety Device Co. v. Nassau Fastening Co., 496 F.2d 644 (2d Cir. 1974).

RD at 32

"The subject kicktail skateboard appears to be a mere carrying forward of new or more extended application of the original skateboard concept, essentially a change only in form, proportions or degree, the substitution of equivalents, doing substantially the same thing in the same way by substantially the same means with better results, and such an achievement, however useful, will not sustain a patent." See Soler Corp. v. Borg-Warner Corp., 244 F.2d 940 (7th Cir. 1957), cert. denied, 355 U.S. 836 (1957).

RD at 36

TA-37 Skateboards CD

Based on the RD, held there was no $337 violation because, for purposes of 337, several claims of the patent are invalid as obvious in view of the prior art; thus, the entire patent is invalid.

CD at 5

TA-39 Luggage RD

The fact that an invention, when viewed after disclosure and explanation by an applicant, seems simple and as such should have been obvious to those in the field, was not necessarily negative invention of patentability, and simplicity may even be some evidence of invention. Application of Osplack, 195 F.2d 921 (C.C.P.A., Patents, 1952); In re Bisley, 197 F.2d 355 (C.C.P.A., Patents, 1952). Invention, though little, may be real. Julius Levine & Co. v. Automatic Paper Machinery Co., Inc., 63 F.2d 547 (C.C.A. N.J. 1933). Futhermore, it is proper to combine references and the fact that a combination is old does not preclude invention by the addition of a new and useful element, so long as the addition is the result of invention, not a mere exercise of skill of the calling and not one plainly indicated by the prior art. Measurements Corp. v. Ferris Instrument Corp., 64 F. Supp. 80 (D.C. N.J. 1946), order mod'd. 159 F.2d 590; Application of Carter, 212 F.2d 189 (C.C.P.A. 1954).

RD at 39

TA-39 Luggage CD

In determining the standard by which to judge obviousness in patent design cases, the court compared two views. The CCPA and the Ninth Circuit hold that the obviousness appraisal is by an ordinary, intelligent person. The Second, Third, and D.C. circuits use the standard of the designer having ordinary skill in the art.
The Commission adopted the ALJ's view that "the test of obviousness is essentially the same as the ordinary or average observer test for novelty, which deems novelty to be present when the average observer takes the new design for a different and not just a modified already existing design."

CD at 7

(Cont'd)

"While many of the elements in these prior designs reappear in the patent suit, it is axiomatic that existing elements of prior art can be combined in such a manner as to be patentably unique, and nonobvious." See Measurements Corp. v. Ferris Instrument Corp., 65 F. Supp. 80 (D.C. N.J. 1946); Application of Carter, 212 F.2d 189 (C.C.P.A. 1954).

CD at 8

Compare Parker dissent:

Parker would hold the patent invalid because of obviousness in failing to meet the requirement of 35 U.S.C. §103. The CCPA stated in In re Laverne, 356 F.2d 1003, 1005 (1966), that:

Following the mandate of §103, it would seem that what we have to do is to determine obviousness to the ordinary intelligent man. The test is inherently a visual test, for the design is nothing more than appearance, and the appearance is that of the article as a whole. In re Jennings, 182 F.2d 207, 37 C.C.P.A. 1023. No special skill is required to determine what things look alike. It is bound to be an individual reaction.

CD at 1-2

TA-51 Cigarette Holders CD

In Application of Laverne, 356 F.2d 1003, 1006 (C.C.P.A. 1966), the Court concluded that in design patent cases obviousness should be determined by the "ordinary intelligent man." To be valid, a design patent must disclose a design that is new, original, ornamental, and nonobvious. Schnadig Corp v. Gaines Mfg. Co., Inc., 494 F.2d 383, 387 (6th Cir. 1974).

(Concurring Opinion of Commissioners Alberger and Stern)

CD at 7

TA-56 Thermometer Sheath Pkgs. CD

The determination of nonobviousness cannot ignore this foundation of novelty. What is crucial here is the determination of what features were sufficiently novel so as not to be easily derived--obvious--to a person of ordinary skill in the art in 1968.

CD at 19

Although the ALJ plainly did not rely on the test of synergism set forth in Sakraida v. Ag Pro. Inc., 425 U.S. 273 (1976), to determine obviousness, he nevertheless responded to the parties' arguments by finding that the Poncy patent had no new or unusual effect, and therefore was obvious under this test as well. RD at 33-34 In our view, this test is inappropriate because the use of the waste material is a new element, while the synergism test logically applies only to combinations of old elements. In any case, assuming arguendo that the test is applicable, we disagree with his analysis and conclusions.

CD at 21

TA-67 Acceleration Tubes CD

The Commission affirmed the ALJ's finding of nonobviousness regarding the Van de Graaff patent and stated:

> The ALJ found that the inclined-field acceleration tube would not have been obvious in 1961 to one with ordinary skill in the art, that is, one with working experience with acceleration tubes or with technical training as a physicist specializing in electrostatics or nuclear physics. The investigative attorney argued that the '323 patent is obvious, in part because the level of ordinary skill in the art was high in 1961. The invention of the patent, the radical design of the electrodes themselves, however, was not obvious to one skilled in the art. It was a signficant improvement over McKibben's tilt rings . . . and resulted in a tube that achieved commercial success. Van de Graaff's colleagues apparently felt that his approach would not solve the problem. A development can hardly be described as obvious if its technical success is viewed as problematic at the time.
>
> The investigative attorney argued that the improvement of the '323 patent over McKibben's tilt rings is marginal at best, and that the ALJ's emphasis on commercial success, a secondary consideration in the issue of obviousness, is misplaced. Part of the success was due to the fact that [Complainant] was the only commercial manufacturer until [Respondent] entered the field in 1969. The investigative attorney argued that commercial success cannot ward off a finding of invalidity if the invention

(Cont'd)

> is unequivocally obvious. Second, the CCPA recently held that secondary considerations such as commercial success do not merely "tip the scales in favor of patentability" in close cases, but must be evaluated in determining obviousness. Stevenson v. ITC, 612 F.2d 546, 553-54 (C.C.P.A. 1979).

CD at 9-10

TA-72 Turning Machines RD

By showing that the reissue patent constitutes essentially an aggregation or combination of old elements, respondents have established a prima facie case of obviousness requiring strict scrutiny of the claims, particularly in the light of secondary considerations.

RD at 97

TA-85 Slide Fastener Stringers Commission Opinion (on temporary relief)

Lack of commercial use is affirmative evidence of nonobviousness of the combination described in claim 5 of the '103 patent. Campbell v. Mueller, 159 F.2d 803, 809, 72 USPQ 295, 300 (6th Cir. 1947); Wahl Clipper Corp. v. Andis Clipper Co., 66 F.2d 162, 165, 18 USPQ 179, 182 (7th Cir. 1933). Conversely, the commercial success of the machine described in the '103 patent points to its nonobviousness. Stevenson v. U.S.I.T.C., 612 F.2d 546, 553, 204 USPQ 276 (C.C.P.A. 1979); Application of Sponnoble, 405 F.2d 578, 587, 56 C.C.P.A. 1273 (1969); Application of Grant, 377 F.2d 1019, 1022, 54 CCPA 1559 (1967). These secondary considerations of nonobviousness should be given considerable weight, In the Matter of Certain Apparatus for the Continuous Production of Copper Rod, 206 USPQ 138, 147 (ITC 1979), particularly in the absence of contrary evidence.

Opinion at 8

402.31. Prior Art

TA-25 Above Grand Swimming Pools CD

Prior art is that body of material, of anticipatory character which negatives any right of an applicant to obtain a patent because of its existence prior to the date of his invention. The test of what prior art is (under 35 U.S.C. 103) is what art would be examined by a person of ordinary skill "in the art to which said subject matter pertains." If it does not seem likely that such a person would look to a particular "other art" in solving the problem facing him, then that "other art" is outside the scope of the phrase "prior art." *Application of Lobl*, 228 F.2d 234, 43 C.C.P.A. 734 (1955). However, if a person would naturally extend his search to a particular "other art" then that art is within the phrase "prior art", and may be considered on the question of obviousness. *Continental Can Co. v. Old Dominion Box, Co.,* 393 F.2d 321 (2d Cir. 1968).

(Supporting Opinion of Commissioners Minchew and Moore)

CD at 23

[redacted]

TA-31 Steel Toy Vehicles CD

See In re Heldt, 433 F.2d 808, 167 USPQ 676 (CCPA, 1970), where the CCPA said the more simple the art, the more broad the scope of the analogous prior art. "In this case, the appellant attacked the use of a prior art reference on the grounds that it was non-analogous art and its disclosure was therefore not legally available for combination with the other cited references. In determining whether or not this reference was non-analogous art, the court stated that when dealing with simple mechanical inventions, it is expected that one skilled in the art would look at a wide variety of related fields. In this case, the CCPA approved a reference directed to a sewage disposal when determining the obviousness of invention dealing with storage tubes for golf clubs".

CD at 10

"We find it not unreasonable in cases such as this, involving relatively simple, everyday-type mechanical concepts to permit inquiry into other areas where one of even limited technical skill would be aware that similar problems exist." In re Heldt, supra.

CD at 13

Additionally, the CCPA stated in In re Antle, 444 F.2d 1168, 170 USPQ 285 (CCPA 1971) that one skilled in the art at the time the invention was made must be presumed to have looked at other related arts reasonably pertinent to his particular problem.

CD at 13

(Cont'd)

Further, the CCPA stated that the Commission must "...presume that the inventor would have that ability to select and utilize knowledge from other arts reasonably pertinent to his particular problem which would be expected of a man of ordinary skill in the art to which the subject matter pertains."

CD at 13

Finally, the CCPA stated in In re Ellis, 476 F.2d 1370, 177 USPQ 526 (C.C.P.A. 1973), that while diverse Patent Office classification of references is some evidence of "non-analogy", we consider that similarities and differences in structure and function of the inventions disclosed in the references carry far greater weight.

CD at 14

It is well known patent law that references can be combined to show the obviousness of a design even in a combination requiring rearrangement and reversal of parts. In re Leslie, 547 F.2d 116, 192 USPQ 427, 439 (C.C.P.A. 1976). The overall impression must be different for a design patent consisting of old elements to be valid: "In considering patentability of a proposed design the appearance of the design must be viewed as a whole...." In re Application of Jennings, 182 F.2d 207, 208 (C.C.P.A. 1950).

CD at 22

TA-37 Skateboards RD

While reasonable minds and personal preferences may differ as to the relative merits of the rocker skateboard and kicktail skateboard, aesthetically and functionally, a preponderance of the evidence indicates that they have identical or near-identical functions performed in essentially the same way and by similar means.

RD at 31

TA-37 Skateboards CD

The Commission disagreed with the ALJ's finding that a water ski patent and a surfboard patent were relevant prior art in considering the skateboard patent in issue "because the problems addressed by them are not the problems (foot slippage, grounding, foot level, and leverage) meant to be solved by the complainant's kicktail invention. Application of Heldt, 433 F.2d 808, 812 (C.C.P.A. 1970). Thus, an inventor setting out to solve the problem addressed by the kicktail skateboard would not be expected to turn to [the water ski or surfboard patents] for guidance."

(Opinion of Commissioners Moore and Bedell)

CD at 7-8

TA-51 Cigarette Holders CD

Commissioners Alberger and Stern (concurring) found the patent invalid due to lack of ornamentality. 35 USC §171 provides:

Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefore, subject to the conditions and requirements of this title.

(Cont'd)

402.31

It is well established that for design patentability purposes new elements which differentiate a patented design from the prior art must relate to the ornamental appearance of the product and not its functional requirements. (See Application of Garbo, 287 F.2d 192 (CCPA, 1961); Application of Corletti, 328 F.2d 1020 (CCPA, 1964); G.B.Lewis Co. v. Gould Products, Inc., 297 F. Supp. 690 (E.D.N.Y. 1968). If the differences between the patented design and the prior art are dictated by functional considerations, the patented design is not "ornamental" within the meaning of 35 U.S.C. 171 and is therefore invalid.

CD at 9

TA-54 Multicellular Plastic Film RD

The claims of a patent are limited by the prior art. If a patent is obtained for an improvement in a crowded art, the patent's claims should be narrowly construed. Cuno Engineering Corp. v. Meehl, 113 F.2d 862 (2d. Cir. 1940).

RD at 9

TA-56 Thermometer Sheath Pkgs. RD

The prior art is that fund of information relevant to the subject of the patent which is available or known to the public. See Rosenberg, Patent Law Fundamentals 94-95 (3d. Printing 1977).

RD at 22

[redacted]

TA-60 Crankpin Grinders CD

"While these two innovative devices [in prior art] were otherwise developed prior to the invention date by complainant, the fact remains that all these elements had never previously been incorporated in one embodiment prior to complainant's automatic crankpin grinder."

CD at 11

TA-72 Turning Machines RD

Clearly, the presumption of validity is entitled to greater weight when the principal art relied on by respondents has been considered and rejected by the Patent Office. *Reese* v. *Elkart Welding & Boiler Works, Inc*., 447 F.2d 517, 171 USPQ 129 (7th Cir. 1971).

RD at 97

The mere fact that these various prior art disclosures *can* be combined does not make the combination obvious unless the art also contains something to suggest the desirability of the combination. *In re Imperato*, 486 F.2d 585, 179 USPQ 730 (C.C.P.A. 1973); *In re Bergel*, 292 F.2d 955, 130 USPQ 206 (1961).

RD at 100

402.32. Level of Ordinary Skill in the Art

TA-5 Chain Door Locks RD

"While no one of U.S. patents embrace all of the claims of the Ademec Patent, one who was reasonably skilled in the art could have combined the teachings of such patents into the equivalent of the Ademec Patent without the exercise of any appreciable inventive know-how or acumen. The fact that some of such patents were considered by the examiner who handled the Adamec Patent application is not conclusive as far as consideration by this Commission is concerned."

RD at 8

TA-25 Above Ground Swimming Pools RD

There do exist certain criteria which can aid in painting the picture of what is the level of skill of the ordinary person in an art: the types of problems encountered in the art, the rapidity with which innovations are made, the sophistication of the technology involved, and the educational background of those working in the field. Jacobson Bros., Inc., v. U.S. 512 F.2d 1065 (Ct.Cl. 1975).

After the ALJ noted that little evidence was produced on this issue, he adopted as a standard the "specialized reasonable man" test of Graham:

"[A] man practicing in the field of above-ground swimming pools who has some practical experience in design and general construction but no engineering degree or expertise." Graham v. John Deere Co, 383 U.S. 1 (1966).

RD at 73-74

TA-25 Above Ground Swimming Pools CD

The Commission found the patent invalid but not infringed. In reaching this conclusion, the Commission considered certain secondary factors commonly used by the courts in assessing patent validity, such as commerical success.

CD at 9-10

TA-26 Solder Removal Wicks RD

The standard of the person "skilled in the art" is an objective not a subjective art. Such a person is presumed to have knowledge of all the prior art in the field....

RD at 42

TA-31 Steel Toy Vehicles RD

To be worthy of a patent, an invention must not be obvious to one skilled in the relevant art under 35 USC 103. But in the instance of a readily understandable method or technique, factual determination as to the level of skill in the art can be unnecessary. General Mills, Inc., v. Standard Products, Inc.,195 USPQ 391 (D. Tenn. 1977), Monoplastic, Inc. v. Caldon Inc., 378 F.2d 20, 21, 153 USPQ 826, 827 (2d Cir. 1967).

RD at 33

(Cont'd)

[redacted]

Since the "level of ordinary skill" in a particular art has not usually been defined in writing, the usual way of determining such level is by referring to the subjective reaction of a person thoroughly familiar with the particular art and, if possible, one who practiced the art at the crucial time in question. School, Inc. v. Glory Products Trading Co., LTD, 193 USPQ 705, 715 (DC N. Ill. 1977).

RD at 33

TA-31 Steel Toy Vehicles CD

The Ninth Circuit and the CCPA hold that the obviousness appraisal is by an ordinary intelligent person, while the Second, Third, and D.C. circuits require a standard from the perspective of the designer having ordinary skill in the art. Sidewinder Marine v. Starbuck Kustom Boats, 418 F. Supp. 224, 193 USPQ 776,780 (D.C. Colo. 1976). Expert testimony establishes obviousness to a designer of ordinary skill at the time the design was invented, whereas the survey data of parties as well as the presiding officer's own observations meet the ordinary observer standard of the Ninth Circuit and the CCPA.

CD at 24

Much of the prior art designs presented by the expert witnesses at the hearing were not those designs that would be within the exclusive knowledge of an expert. Commonly observed real truck body designs as well as prior design patents for toys are in the record that lead the Presiding Officer to the conclusion that the ordinary observer would find the '251 design obvious.

[T]hus the issue of obviousness of a given design is ultimately resolved subjectively according to the visual perception of the judge who finds himself cast in the role of the "ordinary observer." In re Leslie, 547 F.2d 116, 192 USPQ 427, 439 (CCPA 1976).

CD at 24

[redacted]

TA-37 Skateboards RD

[T]o determine whether the patent is valid for nonobviousness, ordinary skill in the art (mechanical skill) must be distinguished from invention. More ingenuity than the mechanical skill of one versed in the art is required to establish a patentable invention. National Brass Co. v. Michigan Hardware Co., 71 F. Supp. 980 (D.C. Mich. 1947). A patent must be the product of the exercise of inventive faculties and involve something beyond what is obvious to persons skilled in the art to which it relates. Novocol Chemical Mfg. Co., Inc. v. Powers & Anderson Dental Co., Inc., 376 F. Supp. 594 (D.C. N.C. 1941), aff'd 128 D.2d 904 (1942); L. Sonneborn Sons, Inc., v. Coe, 104 D.2d 230 (D.C. Cir. 1939). Invention presupposes generation of a new idea, creation of new means and and not merely attainment of a desirable result, which is merely an indicia of invention when considered in prior art. Arkay Infants Wear, Inc. v. Kline's, Inc., 93 F. Supp. 967 (D.C. Mo. 1950). A device displaying only the expected skill of its maker's calling, and involving only the exercise of the ordinary faculties of reasoning upon materials supplied by special knowledge and the facility of manipulation which results from habitual and intelligent practice, is not the creative work of an inventive faculty. Keuffel & Esser Co. v. Picket & Echel, Inc., 182 F.2d 581 (7th Cir. 1950). In other words, useful innovation without invention is not patentable. Abbott v. Coe, 109 D.2d 449 (D.C. Cir. 1940).

RD at 33

TA-39 Luggage RD

It was held that one of ordinary skill in the art to which the luggage design patent was directed "would have a background and knowledge of the luggage market and what is saleable in the market place and possess an artistic flair. The average designer would have a fair degree of on-the-job training, and probably some formal college education."

RD at 21

TA-56 Thermometer Sheath Pkgs. RD

The ALJ determined that a person of ordinary skill in the art was a "a college graduate with a degree in engineering and/or several years on the job training and experience in the design, development, manufacture, packaging, and marketing of small products...."

RD at 29

TA-56 Thermometer Sheath Pkgs. CD

"[W]ithout the benefit of a decade's hindsight, a certain exercise of judgment must be made relating prior art to what could have been constructed had such a skilled person determined to do so."

CD at 20

[redacted]

BEST DOCUMENT AVAILABLE

402.33. Tests and Subtests

TA-37 Skateboards CD

[I]t is well established that secondary indicia of nonobviousness, such as commercial success, can only tip the scales in favor of patentability in close cases. Digitronics Corp. v. New York Racing Association, Inc., 553 F.2d 740, 748 (2nd Cir. (1977). Because we find the Stevenson patent plainly obvious in light of the rocker board, secondary factors such as commercial success need not be considered. It is worth noting, however, that the reason or reasons for the commercial success of the kicktail board are unclear. There is testimony of record indicating that consumers' preference for the kicktail board is due, at least in part, to the stylish or sporty look imparted to the board by its upswept kicktail, rather than to its functional advantages.

(Opinion of Commissioners Moore and Bedell)

CD at 10

TA-51 Cigarette Holders RD

Although the '931 key clips are a commercial success, this is not necessarily because the key design was not obvious from the prior art. Knives and forks are a commercial success, but their design is not original. No amount of commercial success can compensate for a design that is not original . See Splendor Form Brassiere, Inc. v. Rapid-American Corp., 187 USPQ 151, 156 (S.D.N.Y. 1975).

402.33

TA-52 Copper Rod CD

The ALJ did not give sufficient consideration to the secondary considerations of non-obviousness in finding the '994 patent invalid. These considerations include: commerical success, long felt but unresolved needs, and failure of others. "In the instant case, involving very technical subject matter, such secondary considerations must, of necessity, be given considerable weight. Photoelectronics Corp. v. England, 581 F.2d 722, 199 USPQ 710 (9th Cir. 1978)."

CD at 12

[redacted]

TA-56 Thermometer Sheath Pkgs. CD

[W]e conclude that the secondary considerations of nonobviousness set forth in *Graham* were given insufficient weight by the ALJ. While one may draw conclusions other than nonobviousness from evidence of commercial success, satisfaction of long-felt but unresolved needs (demand in market), and the overcoming of previous failures, the C.C.P.A. clearly demands that they be considered in contrast to the ALJ's opinion that such considerations only play a part in close cases. *I[illegible]e Fielder*, 471 F.2d 640 (C.C.P.A. 1973); *[illegible] re Palmer*, 451 F.2d 1100 (C.C.P.A. 1971).

CD at 22

TA-56 Thermometer Sheath Pkgs. CD

[B]ecause others, had previously invented such packages, one must look to other features of the design to discern why the Poncy product was unique. Complainant argues that no prior sheath package had been commercially successful simply because no design had allowed for economical manufacture.

CD at 11

TA-56 Thermometer Sheath Pkgs. CD

Respondents suggest that because other different but successful sheath packages soon followed, the evidence of commercial success is explained by market demand, not by any particular design. But this does not fully explain the fact that the Poncy design was the *first* to win such acceptance despite previous efforts dating back at least a decade, and the issue is obviousness over prior--not subsequent--art.

CD at 23

[redacted]

402.33

TA- 60 Crankpin Grinders CD

"In addition, the disclosures of Klingele [prior art] were never reduced to practice in the form of a working machine product for the trade. A paper patent such as Klingele, the utility of which has never been demonstrated in actual experience, is to be construed strictly and is not entitled to the same breadth of construction which might be warranted by a machine of proved usefulness. Foster v. Chrysler, 33 F. Supp. 36 (W. D. Pa. 1940)."

CD at 11

"Other indicia of non-obviousness suggested by Graham v. John Deere include tribute (royalties) were paid by licensees (sic) and there was recognition of the patent by others including respondents through request for license rights."

CD at 12

TA-60 Crankpin Grinders RD

As a matter of patent law, a paper patent, the utility of which has never been demonstrated in actual experience, may be construed strictly and is not entitled to the same breadth of construction which might be warranted by its proved usefulness. Foster v. Chrysler Corporation, 33 F. Supp. 36 (W.D. Pa. 1940); Boston Woven Hose & Rubber Co. v. Pennsylvania Rubber Co., 164 F. 557 (1st Cir. 1908); also see Modern Products Supply Co. v. Drachenburg, 152 F.2d 203 (6th Cir. 1945), cert. denied, 327 U.S. 806 (1946).

RD at 26

Such reversal of direction and commerical success in the marketplace is indicative of nonobviousness and an advance over existing automatic crankpin grinder technology. Graham v. John Deere, 38 U.S. 684 (1966); United States v. Adams, 383 U.S. 39, 52 (1966); Shaw v. E.B. & A.C. Whiting Co., 417 F.2d 1097, 1104 (2d Cir. 1969), cert. denied, 397 U.S. 1076 (1970), reh. denied, 398 U.S. 954 (1970); Minerals Separation, Ltd. v. Hyde, 242 U.S. 261, 270 (1916).

RD at 28

402.33

TA-72 Turning Machines RD

The courts have ruled that the obviousness of a new product is not to be judged solely by the structural modification or difference from the products in the prior art: a simple or slight change may be nonobvious if it achieves a new function or solves a known problem the source of which the art had not theretofore recognized. 2 Chisum, Patents §5.04(7) (1979), *citing, inter alia*, *Globe Lightings, Inc.* v. *City of Corvallis*, 555 F.2d 727 (9th Cir. 1977).

RD at 103

If Fullerton had not made his discovery, the art might well have eventually arrived at the same result; but inevitable technological progress is not the test. *Columbia Broadcasting System* v. *Sylvania Products*, 415 F.2d 719, 162 USPQ 577, 582 (1st Cir. 1969); *United Chromium, Inc.* v. *International Silver Co.*, 60 F.2d 913, 916; 15 USPQ 51, 54-55 (2d Cir.), *cert. denied*, 288 U.S. 600 (1933). It is well settled that in retrospect the most creative developments often appear commonplace.

Commercial acquiescense in the reissue patent, as indicated by the licensing of the patent to at least one foreign manufacturer who competes in the domestic market supports a finding of nonobviousness. *See Eibel Process Co.* v. *Minnesota and Ontario Paper Co.*, 261 U.S. 45 (1923); *Columbia Broadcasting System* v. *Sylvania Electric Products, Inc.*, 415 F.2d 719, 162 USPQ 577, 582 (1st Cir. 1969).

RD at 105

403. Loss of Right to Patent

403.1 Late Claiming

403.2 Abandonment, Concealment, Suppression

TA-41 Tile Setters RD

Prior to the prehearing conference, complainant dropped all allegations of anti-competitive activities and announced its filing of a statutory disclaimer under 35 U.S.C. 253. Complainant's act of disclaiming the patent claims at issue effectively removes them from contention. A section 253 disclaimer cancels the claims from the patent so that it is as if they were never issued. After a disclaimer is filed, the patent is construed as though the original patent had not included the disclaimed claims. Hoover Co v. Mitchell Manufacturing Co., 269 F.2d 795, 122 USPQ 314 (7th Cir. 1959).

RD at 3-4

TA-41 Tile Setters CD

Complainant filed a disclaimer with the U.S. Patent and Trademark Office pursuant to 35 U.S.C. 253 disclaiming the only patent claims at issue in the investigation. Since the effect of complainant's §253 disclaimer is to cancel the disclaimed claims from its '295 patent, patent infringement has been eliminated as an issue in this investigation.

CD at 3

TA-51 Cigarette Holders RD

Section 102(g) provides that a person shall be entitled to a patent unless:

> [B]efore the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

Mr. Herman had the idea for a clip in the shape of a key in 1971, when he attached an alligator clip to a real key, and in 1973 he had a key made into a clip. There is no evidence that he abandoned, suppressed or concealed these ideas. Since the dates of conception and reduction to practice of the invention by Kaiser and Higgins are not known, the record does not show that the patent is invalid under §102(g).

RD at 9

TA-56 Thermometer Sheath Pkgs. RD

The law is well settled that a patentee is entitled to only one patent for his invention (35 U.S.C 101). A continuation is a second application for the same invention claimed in a prior application and filed before the original becomes abondoned. M.P.E.P 201.70. Double patenting can be avoided as between two inventors by a terminal disclaimer.

RD at 39

(Cont'd)

[redacted]

403.2

"The test for determining whether the same invention is claimed in two patents when a terminal disclaimer has been filed in one is whether or not a product can be made which would infringe one of the patents without infringing the other. In re Vogel, 442 F.2d 438, 441, 164 USPQ 619 (C.C.P.A 1970).

RD at 40-41

[redacted]

403.3 Use Requirement (35 USC § 112)

403.3

TA-52 Copper Rod RD

A sale or offer to sell precludes patentability "unless the contract of sale or the offering for sale contains an express or clear implied condition that the sale or offering is made primarily for experimental use." Once it is shown that an invention has been placed on sale, the statutory bar is created and the burden is upon the patentee to demonstrate that the use was an experimental one. Watts v. University of Delware, Civ. Doc. No. 77-343 (D. Del. 1979).

RD at 65

403.3

TA-60   Crankpin Grinders   CD

Respondents' argument that the patent is invalid because of 35 U.S.C. §112 is completely without merit because even respondent's own witness indicated that he could easily correct three minor errors in the patent diagram by utilizing his skills in the art. In addition, complainant's expert testified that he had no problem understanding the specification of the suit patent.

CD at 12

403.3

TA-60 Crankpin Grinders RD

In evaluating whether there has been compliance with the use requirement of §112, what those skilled in the relevant art already knew or were prepared to have known frmom the disclosures available to them must be considered. See Application of Irani, 487 F.2d 924, 926, 180 USPQ 44, 45 (C.C.P.A. 1973).

RD at 29

Though the claims of a patent may incorporate the specifications or drawings by reference and thus limit the patent to the form described in specifications, it is not necessary to embrace in claims or describe in specifications, all possible forms in which the claimed principle may be reduced to practice, and it is enough that the principle claimed is exemplified by a written description of it and of manner of using it so will enable one skilled in the art to make, construct, and use it. Montmarquet v. Johnson & Johnson, 82 F. Supp. 469 (D. N.J. 1949). Thus, while an inventor must describe what he conceives to be the best mode for putting his invention into practical use, he is not confined to the precise mode outlined. Chicago Pneumatic Tool Co. v. Hughes Tool Co., 97 F.2d 945 (10th Cir. 1938), cert. denied, 305 U.S. 643 (1938), reh. denied, 305 U.S. 673 (1938).

RD at 29-30

[redacted]

TA-67 Acceleration Tubes CD

35 U.S.C. §112 states:

> The specification shall contain a written description of the invention and the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains . . . to make and use the same . . . .

A patent claim not meeting statutory requirements for particularity is void. O'Reilly v. Morse, 56 U.S. 62, 120-21 (1853).

The Commission stated the following with regard to the ALJ's finding concerning the particularity requirement:

> Whether a patent claim meets statutory requirements of particularity is a question of fact. Battin v. Taggert, 58 U.S. 74, 85 (1854). It is thus a matter of evidence, rather than of construction. Rohm v. Martin Dennis Co., 263 F. 388, 389 (3 Cir. 1920). The presiding officer's task is to observe the demeanor of witnesses, assess their credibility, weigh competing contentions, and resolve factual issues. The Commission accordingly attaches great weight to her findings. The investigative attorney has failed to establish that the ALJ's finding is erroneous. We therefore find that the '323 patent enables one skilled in the art to make an inclined-field acceleration tube using a spiral design.

CD at 11

403.3

TA-68 Surveying Devices CD

The burden of establishing expertimental use falls on the inventor. Once a prima facie of public use of sell more than one year prior to the filing to the application has been established, the inventor bears a "heavy burden" of establishing "by affirmative and convincing proof" that the alleged public or sale was "direct part of or necessarily incident to the experimentation exempted from the effect of the statue" Application of Blaisdell 242 F.2d 779, 783 (C.C.P.A. 1957). The inventor must show that the experimental motive predominates, and this is basicially a question inventor's intent. In re Yarm Processing Patent Validity Litigation, 498 F.2 271 (5th. Cir. 1974).

CD at 8

404.1

TA-60 Crankpin Grinders RD

While the claims may raise semantical problems, they should be construed in a manner consistent with the patent as a whole, including the specifications, as read and interpreted by those skilled in the art.

RD at 49

404. Infringement

[redacted]

TA-67 Acceleration Tubes RD

An unlicensed improver of the basic patent of another is an infringer. Zeigler v. Philips Petroleum Company, 177 U.S.P.Q. 481, 489 (CA 5 1973); Temco Electric Motor Company v. Apco Manufacturing Company, 275 U.S. 319 (1927).

RD at 21

TA-72 Turning Machines RD

Repair of a patented machine does not constitute infringement of the patent provided it merely restores the machine to the original use for which it was purchased, as distinguished from rebuilding or reconstruction which would unduly extend the patent monopoly. Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) (Aro I); see also Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476 (1964) (Aro II); Wilson v. Simpson, 50 U.S. 108 (1850). Since purchasers of L-series machines prior to April 18, 1978, have the continuing right to use them, precluding repair of those machines by those equipped to do so would unreasonably deny the purchasers their statutory and equitable rights of use.

RD at 144-45

In Deere & Co. v. International Harvester & Co., 460 F. Supp. 523, 534 (S.D. Ill. 1978), the Court held that "infringement is not avoided by separating a one-piece element into several parts if the element does not accomplish the same result in substantially the same way." Conversely, the use of a single means to perform the same function in the same manner as two separate means does not avoid infringement. See Lockheed Aircraft Corporation v. United States, 193 USPQ 449, 462, 553 F.2d 699 (Ct. Cl. 1977). In Abbott v. Barrentine Mfg. Co., 255 F. Supp. 890, 899 (N.D. Miss. 1965), the court specifically held that "infringement cannot be avoided by using a one-piece structure rather than a two-piece structure." The respondents have merely improved the complainant's device by accomplishing the same result in one step rather than in two steps. This improvement does not avoid infringement.

(Dissenting Opinion of Commissioner Moore)

Opinion at 33-34

BEST DOCUMENT AVAILABLE

TA-89 Copper Rod Commission Opinion
(on temporary relief)

The ALJ ruled in this investigation that the Commission's finding of validity in the '52 case [Copper Rod, 337-TA-52] was binding on the present case because the issue of validity was litigated fully by the same parties and the Commission expressly decided the issue. The basic issues with regard to the applicability of res judicata are whether it has been shown that there are:

(1) an identity of claims and issues;

(2) an identity of parties; and

(3) a final decision on the merits.

In the present case, there is no dispute that requirements 1 and 2 are met. The only question is whether there has been a final determinaton on the merits . . . . [T]he crucial question is whether the Commission's findings on the validity of the '170 patent in the '52 case were essential to its judgment. If those findings are in the nature of obiter dicta, res judicata will not apply. If the findings were essential to the decision, the doctrine will apply.

In the '52 case the Commission's findings with regard to validity were more than dicta. In Coleco Industries v. USITC, 573 F.2d 1247, 1252 n.5 (CCPA 1978), the Court of Customs and Patent Appeals stated: "To obviate a remand on validity, in the event of a reversal of a finding of noninfringement, it would be advisable for the Commission to render a decision on all appealable issues presented to it. Thus it is clear that the CCPA considered the Commission's findings on validity more than mere dicta in Coleco, despite the Commission's finding of noninfringement.

(Cont'd)

Even if the validity finding is not res judicata, the Commission believes that Southwire has met the "reason to believe" standard set out in section 337(e) . . . . ["R]eason to believe" does not require a showing by a preponderance of the evidence that there is a violation of section 337 . . . . The parties have . . . had a fair opportunity to litigate this issue and there is sufficient evidence of record to meet the "reason to believe" standard.

Opinion at 9

TA-89 Copper Rod Commission Opinion (on temporary relief)

We agreed with the ALJ that, if the mill can be run with light reductions or with the first roll stand completely open, there is reason to believe that the Norwich system . . . is capable of infringing the '170 patent and we accept [the ALJ's] recommendation that capability of infringement has been shown. The leading modern case on the doctrine of capability of infringement is Huck Mfg. Co. v. Textron, 187 USPQ 388, 408 (E.D. Mich. 1975), in which the court indicated that for a manufacturer infringement may be determined by the use to which the device may reasonably be put or of which it is reasonably capable. Other cases also hold that an apparatus may be infringing where it is capable of infringing when used in a proper, ordinary, normal, and effective way.

Opinion at 13-14

TA-89 Copper Rod RD
(on temporary relief)

Equipment capable of being used in an infringing manner will infringe a product patent as long as no major changes must be made before the product will infringe.

In Huck Mfg. Co. v. Textron, 187 USPQ 388, 408 E.D. Mich. 1975) the court indicated that for a manufacturer, infringement is determined by the use to which the device may reasonably be put or of which it is reasonably capable. (The rule for the user of the device is determined by the use to which the invention is actually put.)

RD at 19

404.2. Contributory Infringement

TA-2 Convertible Game Tables CD

The Commission will consider as an unfair act not only direct infringement but also contributory infringement or inducement to infringe. In this case, the Commission issued an exclusion order in which it required all importers of the goods who imported a part rather than a complete combination forming the basis for the patent to certify that it was not the intent to use the particular imported portion of the combination together with the remaining components to form the patented combination.

CD at 6

"One thing has been well-settled; that there can be no contributory infringement if there is no direct infringement. Deepsouth Packing Co. v. Laitran Corp., 406 U.S. 518 (1972)."

CD at A-197

"Moreover, an intent to infringe contributorily is required before one may be held for contributory infringement. It must be shown that he had knowingly done some act without which infringement would not have occurred. Individual Drinking Cup Co. v. Errett, 297 F. 733 (C.C.A.N.Y. 1924)."

(Opinion of Commissioner Moore)

CD at A-198

TA-67 Acceleration Tubes RD

Although the Commission's Notice of Investigation does not expressly include the question of whether there was contributory infringement in connection with the importation of the tubes, the word "infringement" encompasses contributory infringement and inducement to infringe, as well as direct infringement.

Under 35 U.S.C. §271(b), whoever actively induces infringement of a patent shall be liable as an infringer. With the exception of acts singled out by 35 U.S.C. 271(c), Section 271(b) was intended to encompass all acts which under case law prior to enactment of the 1952 Patent Act were collectively referred to as "contributory infringement." Section 271(b) is an "umbrella" section, incorporating prior case law. Burlington Industries, Inc. v. Exxon Corp., (C.D. C. Md. 1974) 183 U.S.P.Q. 729, 730, and cases cited therein.

Contributory infringement has been defined in a number of cases prior to the 1952 Patent Act consistent with the definition in Section 271(b). In Conmar Products Corp. v. Tibony, 63 F. Supp. 372, 374-75 (E.D.N.Y. 1945), contributory infringement is "the intentional aiding of one person by another in the unlawful . . . using of the patent invention." Contributory infringement may also consist of selling a product to a customer who takes the final step to make the product covered by the patent. Peerless Equipment Co. v. W. H. Miner, Inc., 93 F.2d 98, 105 (7th Civ. 1973).

RD at 22-23

TA-72 Turning Machines RD

Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention knowing the same to be originally made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer. 35 U.S.C. §271(c).

RD at 138

Quite apart from the fact that the evidence of record does not clearly establish that the cited legal opinions pertain to the same design embodying the L-series machines actually manufactured by respondents which are the subject of this investigation, the requirement of §271(c) that the contributory infringer know that the combination for which his component was especially designed was both patented and infringing is met by the letter notice respondents received from complainant notifying them of the patent and the claim of infringement. Aro Mfg. Co. v. Convertible Top Replacement Co. (Aro II), 377 U.S. 476, 141 USPQ 681 (1964); Nordberg Mfg. Co. v. Jackson Vibrators, Inc., 153 USPQ 777 (N.D. Ill. 1967), rev'd on other grounds, 393 F.2d 192 (7th Cir. 1968).

RD at 139-40

TA-89 Copper Rod Commission Opinion
(on temporary relief)

We find . . . that there is reason to believe that contributory infringement will occur if the apparatus in question are not temporarily excluded from entry. The ALJ concludes that the advantages to Phelps Dodge of operating the system in an infringing manner would be outweighed by the fact that Phelps Dodge would not decide to risk a patent infringement action . . . . Risk of an infringement action is always involved if a patented article is used in an infringing manner. The important question is whether the technical benefits to Phelps Dodge in operating the apparatus in an infringing manner outweigh any techical disadvantages to operating the apparatus in [that] way. If it is likely that Phelps Dodge will operate the apparatus in an infringing manner to obtain an advantage, Phelps Dodge may be an incipient direct infringer of Section 337. At this time, [Complainant] has shown that there is reason to believe that Phelps Dodge will directly infringe the '170 patent and that Krupp will be a contributory infringer by selling components of a patented machine.

Opinion at 15-16

404.3. Literal Infringement

TA-43 Trash Pumps CD

The Commission rejected complainant's contention of literal infringement. Complainant urged that specifications and drawings only represent the "best mode" of the invention and should not be construed as a limitation upon the language of the claim. The Commission stated that complainant's position was unsound under Coleco:

> As our appellate court noted in Coleco Industries, Inc., v. United States International Trade Commission, et al., 573 F.2d 1247 (CCPA, 1978), 197 USPQ 472 (CCPA, 1978), "Patent claims are the measure of a patent grant. Construction of claims to ascertain the intended boundaries of the patent grant is made by reference to the patent's specification" (573 F.2d at 1253, 197 USPQ at 476, citing Graham v. John Deere Co., 383 U.S. 1, 33, 148 USPQ at 459, 473 (1966); United States v. Adams, 383 U.S. 39, 49, 148 USPQ at 479, 482 (1966)).

CD at 12-14

TA-54 Multicellular Plastic Film CD

The Tong Seae process was found not to literally infringe the claims of the patent because those claims require heating films of thermoplastic material whereas the Tong Seae process involves cooling such films.

CD at 13

404.4. Doctrine of Equivalents

TA-31 Steel Toy Vehicles CD

While the doctrine of equivalents is available to a reasonable extent for claim 4, it is not available to the unreasonable extent of covering such a broad area of monopoly encroaching on areas of prior art, which the unamended version of claim 1 was not allowed to cover. (International Harvester Co. v. Killefer Mfg. Co., 67 F.2d 54, 61, 19 USPQ 9 (9th Cir. 1933); Barry v. General Tire & Rubber Co., 122 F.2d 123, 48 USPQ 343 (7th Cir. 1941). In essence we have here an estoppel argument, to wit: that one cannot exclude the competition from an area of the prior art by utilizing the doctrine of equivalents where that same area would not have been available to the patentee through the original language since such broad language in the claim itself would have read on the prior art.

CD at 19

It is well known that in patent law that while the range of equivalents to which a patent is entitled depends upon the scope of the intention, the range of equivalents to be allowed cannot be extended to cover means which have clear antecedents in the prior art. (See International Harvester Co. v. Killefer Mfg Co., 67 F.2d 54, 61, 19 USPQ 9 (9th Cir. 1933); Barry v. General Tire & Rubber Co., 122 F.2d 123 48 USPQ 343 (7th Cir, 1941). See 7 Deller's Walker on Patents, §558 (2d ed. 1972)

CD at 21

(Cont'd)

TA-37 Skateboards CD

Commissioners Moore and Bedell found infringement under the doctrine of equivalents (as well as direct infringement). Under the doctrine of equivalents, "an accused device is held to infringe the claims of a patent, even though the claims do not read directly on the device, provided the accused device employs substantially the same means to achieve substantially the same results in substantially the same way as the patented device." Graver Tank & Mfg. Co., Inc. v. Linde Air Products Co., 399 US 605, 608 (1950).

CD at 11-12

TA-43 Trash Pumps RD

[R]ecourse may not be had to the doctrine of equivalents to recapture claims which the patentee has surrendered by amendment. Exhibit Supply Co. v. Ace Corp., 315 U.S. 126 (1942).

RD at 47

TA-43 Trash Pumps CD

Upon a finding of no literal infringement, the case law establishes that the Commission may determine, in sequence, whether or not the doctrine of equivalents applies. "Recourse can be had to the doctrine of equivalents, if a three-pronged test is met, i.e., that the allegedly infringing device employs substantially the same means to accomplish substantially the same result in substantially the same way" (Coleco, 573 F.2d at 1254, 197

(Cont'd)

USPQ at 477). As the Supreme Court in Graver Manufacturing Co. v. Linde Co., 339 U.S. 605, 608, 85 USPQ 328, 330 (1950), noted, "what constitutes equivalency must be determined against the context of the patent, the prior art, and the particular circumstances of the case." (339 U.S. at 609, 85 USPQ at 330). However, no infringement by equivalents was found "because of principles of estoppel which delimit the scope of equivalents available to complainant."

CD at 14-15

TA-54 Muticellular Plastic Film RD

"In Rosen v. Kahlenberg, 474 F.2d 855, 867 (5th. Cir. 1973), the court discussing the reach of the doctrine of equivalents, stated: 'When the patentee makes a pioneer discovery, he is entitled to broader protection than one who makes a slight improvement on the prior art.' In the instant case, the invention is not a pioneer invention, and represents only a small advance in the art. Claims 1 and 2 of the '989 patent must be read narrowly."

RD at 9

TA-54 Muticellular Plastic Film CD

In the absence of a finding of literal infringement, the court proceeded to consider whether the Tong Seae process infringed under the doctrine of equivalents. Based on the Graver Tank test, 339 U.S. 605, 608 (1950), which requires that results be achieved "in substantially the same way" to find infringement, the Commission found the Tong Seae process noninfringing under the doctrine of equivalents. While complainant's patented process depended for its success on the careful control of temperature, the Tong Seae process did not and thus could not be found to operate "in substantially the same way."

CD at 14-20

TA-72 Turning Machines RD

The crucial question in this investigation is whether respondents' L-series turning machines infringe the relevant reissue patent claims under the doctrine of equivalents, as distinguished from literal infringement. A patentee may invoke the doctrine of equivalents against an accused device when it does the same work as the patented invention in substantially the same way and accomplishes the same result. In order to be equivalent, there must be substantial identity of functions, means and result between the accused device and the device embodied in the patent in suit. Pusche v. Atlas Scraper & Engineering Co., 300 F.2d 467 (9th Cir. 1961); Autogiro Co. of America v. United States, 384 F.2d 391 (Ct.Cl. 1967). If a machine obtains the same results by a construction which is not an equivalent of the patented device, there is no infringement. Independent Pneumatic Tool Co. v. Chicago Pneumatic Tool Co., 96 F. Supp. 70, 74 (N.D. Ill. 1951), *aff'd*, 194 F.2d 945 (7th Cir. 1952).

RD at 126

(Cont'd)

Having represented this feature as patentably distinguishable over the prior art, complainant cannot later assert that a turret which does not include this feature is equivalent. U.S. Philips Corp. v. National Micronetics Inc., 410 F. Supp. 449 (D.C.N.Y. 1976), aff'd, 550 F.2d 716 (2d Cir. 1977), cert. denied, 434 U.S. 859 (1977).

RD at 131

The doctrine of equivalents, equitable in nature, is aimed at preventing fraud on a patent. In the leading case of Graver Tank & Mfg. Co. v. Linde Air Products Co., 339 U.S. 605 (1950), the Supreme Court prescribed the rationale and guidelines for applying this doctrine:

> What constitutes equivalency must be determined against the context of the patent, the prior art, and the particular circumstances of the case. Equivalence, in the patent law, is not the prisoner of a formula and is not an absolute to be considered in a vacuum. It does not require complete identity for every purpose and in every respect. In determining equivalents, things equal to the same thing may not be equal to each other and, by the same token, things for most purposes different may sometimes be equivalents. Consideration must be given to the purpose for which an ingredient is used in a patent, the qualities it has when combined with the other ingredients, and the function which it is intended to perform. An important factor is whether persons reasonably skilled in the art would have known of the interchangeability of an ingredient not contained in the patent with one that was.

(Cont'd)

> A finding of equivalence is a determination of fact. Proof can be made in any form: through testimony of experts or others versed in the technology; treaties; and, of course, by the disclosures of the prior art. Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness, and weight of evidence.

RD at 132-33

> Transposition of parts without a substantial change of function does not avoid infringement. 7 Deller's Walker on Patents §545 (2d ed. 1972). The essence of the invention embodied in the reissue patent is the cutting accuracy and efficiency of the tools mounted on the turret in a particular manner to shorten workstrokes which saves time and money. Repositioning the carrier as in the L-series machine does not make any substantial functional difference in the actual invention since the turret design and tool mounting remains practically the same, if not identical.... In any event, changes in efficiency do not avoid infringement when the structure and function of the accused device are equivalent to those of the infringed machine. See Swanson v. Unasco Industries, Inc., 479 F.2d 664, 670 (10th Cir. 1973), 178 USPQ 17, 21-22, cert. denied, 414 U.S. 1076 (1973).

RD at 134

TA-72 Turning Machines RD

[T]he range of equivalents to which the reissue patent is entitled is narrow by reason of the character of the invention in a crowded art. Triax Co. v. Hartman Metal Fabricators, Inc., 479 F.2d 951, 178 USPQ 142 (2d. Cir. 1973), cert. denied, 414 U.S. 1113 (1973); 7 Deller's Walker on Patents §§555-56. While the range of equivalents to which a patent is entitled depends upon the scope of the invention, the range of equivalents to be allowed cannot be extended to cover means which have clear antecedents in the prior art. Certain Steel Toy Vehicles, 337-TA-31; 7 Deller's Walker on Patents §558 (2d ed. 1972). Indeed, a range of equivalents will not be allowed which would give to a claim an enlarged scope that was expressly denied to it by the PTO. Exhibit Supply Co. v. Ace Patents Corp., 315 U.S. 126, 52 USPQ 275 (1942); Tampax, Inc. v. Personal Products Corp., 123 F.2d 722, 52 USPQ 399 (2d Cir. 1941).

RD at 135

404.41. File Wrapper Estoppel

TA-5 Chain Door Locks CD

"As we understand it, the [investigative staff's] argument is that Ideal is estopped by the actions of Adamec in obtaining its patent from asserting any broader claims than the closing words of claim 1.... [I]n any event, we agree that in a proper case a concept like 'file wrapper estoppel' may be used to narrow a patent when its validity is attacked. See Koppers Co., Inc. v. S. & S. Corrugated Paper Mach. Co., Inc., 517 F.2d 1182 (2d Cir. 1975) at 1185."

CD at 31

TA-25 Certain Above Ground Swimming Pools CD

Generally speaking, a patent applicant who has taken a position before the Patent Office as expressed in the file wrapper in order to secure allowance of a claim cannot change his earlier position after his patent has issued in order to apply the doctrine of equivalents. (Great Lakes Carbon Corp. v. Continental Oil Co., 219 F. Supp. 468 (W.D. La. 1963).

CD at 10

TA-25 Above Ground Swimming Pools CCPA

The CCPA affirmed the CD, holding that file wrapper estoppel need not be based upon actual amendents to claims, but could be based upon arguments presented in support of patentability. Coleco Industries Inc., v. USITC, 573 F.2d 1247, 197 USPQ 422 (CCPA 1978) at 480. The doctrine of equivalents is considered to be subservient to the doctrine of file wrapper estoppel. 197 USPQ at 478.

TA-31 Steel Toy Vehicles CD

In order to gain allowance of claim 1, the patentee amended claim 1 by adding the following limitation from his original claim 3. Thus, once having amended his claim 1 to overcome the prior art and the complete anticipation under §102, the patentee is now estopped from using the doctrine of equivalents to expand the coverage of this particular claim. This is the traditional file wrapper estoppel doctrine which is well known in patent law. Exhibit Supply Co. v. Ace Corp, 315 U.S. 126, 52 USPQ 275 (1942); Cohn v. Coleco Industries, Inc., 558 F.2d 53, 194 USPQ 241 (2d. Cir. 1977); Christopher J. Foster, Inc., v. Newport News Co., 187 USPQ 733 (4th Cir. 1975); Laser Alignment Inc. v. Woodruff & Sons, Inc., 491 F.2d 866, 180 USPQ 609 (7th Cir.1974) cert den'd, 419 U.S. 874, 183 USPQ 321 (1974).

CD at 19

TA-39 Luggage RD

"[I]t cannot reasonably be claimed that complainant, by its present allegation of infringement, is trying to recapture claims which it surrendered by amendment of its patent application. Indeed, the courts have held that file-wrapper estoppel is applicable only if a claim has been narrowed to avoid prior art, and not on the basis of indefinite disclosure. Koppers Company, Inc., et al v. S & S Corrugated Paper Machinery Co., Inc., 185 USPQ 705 (1975); Trio Process Corp. v. Goldstein's Sons, Inc., 174 USPQ 129 at 130 (1975); Eimco Corp. v. Peterson Filters & Engineering Co., 160 USPQ 182, 183 (1968)."

RD at 43

TA-43 Trash Pumps CD

[I]f, during the prosecution of a patent application, an applicant has amended the claims or has made representations or arguments limiting or narrowing the scope of the claims in order to obtain the allowance of the claims over the prior art by the patent examiner, then the applicant is estopped from subsequently trying to expand the scope of the claims beyond those amendments, representations, or arguments. (Coleco, 573 F.2d at 1255-1258, 197 USPQ at 478-480).

CD at 15

Under the doctrine of file wrapper estoppel, complainant cannot now broaden the meaning of the term 'releasable means' beyond what was allowed by the examiner over the prior art. We agree with the presiding officer in this regard.

CD at 15

TA-54A Multicellular Plastic Film RD

Even if the invention of the '942 patent is as described in the Commission Opinion, the doctrine of file wrapper estoppel would prevent Sealed Air from alleging infringement of a claim under a broad construction of that claim when the applicants for the invention argued for a narrow construction of that claim before the PTO. Coleco Industries, Inc. v. United States International Trade Commission, 573 F.2d 1247 (CCPA 1978). File wrapper estoppel prevents the doctrine of equivalents from being used to broaden the scope of a claim which the applicant has narrowed in order to get the Patent and Trademark Office to allow his claim. Graham v. John Deere Co. of Kansas City, 383 U.S. 1 (1966), and Exhibit Supply Co. v. Ace Patents Corporation, 315 U.S. 126 (1942).

RD at 18

TA-72 Turning Machines RD

The prosecution history establishes a clear case of file wrapper estoppel which legally precludes complainant from applying the doctrine of equivalents to recover what it has disclaimed with respect to claims 1 and 18. The doctrine of file wrapper estoppel precludes a patent owner in an infringement suit from obtaining a construction of a claim that would in effect resurrect or recapture subject matter surrendered during the course of proceedings in the PTO. Chisum, 4 Patents §18.05 (1979). To the extent it applies, file wrapper estoppel supersedes the doctrine of equivalents, based on a theory of abandonment and disclaimer which must be strictly construed against the patentee. Exhibit Supply Co. v. Ace Patents Corp., 315 U.S. 126, 52 USPQ 275 (1942).

RD at 127

Claims that have been narrowed in order to obtain the issuance of a patent by distinguishing the prior art cannot be sustained to cover that which was previously by limitation eliminated from the patent. Graham v. John Deere Co., 383 U.S. 1 (1966); Chemical Construction Corp. v. Jones & Laughlin Steel Corp., 311 F.2d 367 (3d Cir. 1962); Schieber-Schrothe Co. v. Cleveland Trust Co., 311 U.S. 211 (1940).

RD at 129

404.42 Omitting Element

405. Infringement Suit

TA-54A Multicellular Plastic Film RD

The United States Supreme Court has held that a finding by one court that a patent is invalid will be binding against the patentee in subsequent litigation in another court against a different alleged infringer of the patent. Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971). In Blonder-Tongue, the Supreme Court overruled that part of the Court's earlier holding in 1936 in Triplett v. Lowell, 297 U.S. 638 (1936), which held that a finding of patent invalidity would not be res judicata against a patentee in subsequent litigation against a different defendent. The Triplett v. Lowell rule was that unless there was mutuality of estoppel, i.e., unless both parties (or those in privity with these parties) in a second action are bound by a judgment in a previous case, neither party in the second case may use the prior judgment as determinative of an issue in the second action.

RD at 8-9

The Blonder-Tongue arguments would support the doctrine of collateral estoppel against a patentee seeking to relitigate an issue of infringement against a new alleged infringer, once an identical process had been found to be non-infringing. Ransburg Electro-Coating Corp. v. Spiller, et. al., 340 F. Supp. 1385 (N.D. Ill. 1972), indicates that Blonder-Tongue should not be limited to relitigation of the issue of patent validity:

> The ruling in Blonder-Tongue is not so easily circumscribed, however, for even a casual examination of the reasoning and analysis employed by the Court leads inescapably to the conclusion that mutuality of estoppel has also been abandoned where the prior judicial finding was that the process or apparatus involved did not infringe upon the plaintiff's patent. (340 F. Supp. at 1390).

(Cont'd)

> It is recommended that the Commission not reach the substantive question of whether the Tong Seae process infringes the '984 patent or whether the Huang Well process infringes the '984 patent, because the Commission's ruling in the 54 case that the Tong Seae process does not infringe is binding on Sealed Air under the doctrine of of collateral estoppel, and Sealed Air has stipulated that the two processes are identical.
>
> RD at 10
>
> When a patent is found to be invalid, the doctrine of collateral estoppel bars relitigation of that issue by the patentee, under the Blonder-Tongue doctrine. In the 54 case, the Commission found the '984 patent to be valid. In the instant proceeding, infringement of the '984 patent by another company is at issue, and the question of validity of the '984 patent ordinarily would not be res judicata as to the new alleged infringer. The United States Court of Appeals for the Tenth Circuit held that a new party should not be precluded from challenging the validity of a patent previously found to be valid:
>
>> Neither the actual decision of the Supreme Court [in Blonder-Tongue] nor the language of the opinion suggests that the mutuality requirement is relaxed as to a new infringer following an adjudication of validity . . . . It is grossly inequitable to bind a party to a judgment of validity rendered in an action against some other party. Boutell v. Volk, 449 F.2d 673, 678 (10th Cir. 1971).
>
> Even if the new alleged infringer does not want to contest the validity of the patent on any other grounds, ordinarily he would reserve his right to oppose a construction of the claims in the patent that is so broad that it encompasses prior art, thereby making the patent invalid. In other words, the question of what will infringe the patent may raise a question as to whether the patent would be invalid as obvious under prior art if the claims are given too broad an interpretation.
>
> RD at 11

[redacted]

405.1. Jurisdiction

TA-5 Chain Door Locks CD

Furthermore, it is noted that the Commission's order in this investigation is an order excluding articles from entry into the U.S. As such, this proceeding has been in the nature of an in rem action, and thus not requiring in personam jurisdiction over every importer of the subject article. The Commission's notice of complaint received, amended complaint received, and investigation instituted, all published in the Federal Register, served as proper notice to all present and potential importers of the Commission's investigation and prevents any such person from successfully arguing a lack of jurisdiction in the Commmission.

CD at 17

TA-18 Monolithic Catalytic Converters RD

"Although the Commission lacks the jurisdiction to determine the validity of a patent per se, it does possess the authority to consider the validity and enforceability of a patent for the purpose of determining the existence of an unfair act under §337. An analysis of the legislative history of §337 reveals that the Commission may consider the validity of a U.S. patent only for the purposes of determining whether or not §337 has been violated."

RD at 8

See also: Senate Report No. 93-1298, 93d Congress, 2d Session (1974) at pages 35, 196.

TA-20 Bismuth Molybdate Catalysts RD

Commission's subject matter jurisdiction can't be predicated on complainant's continued participation. "The provisions of §337 clearly contemplate that the Commission continue an investigation where the public is being harmed by violations for §337, despite a complainant's desire to withdraw from the proceeding."

RD at 3

"Continuing any investigation with a reluctant complainant (whatever the motivation for such reluctance) imposes a heavy burden on the Commission and its staff, even though such a burden is contemplated by the statute and should not be considered prohibitive."

RD at 4

TA-23 Color Television Receiving Sets CD

Section 337 is "in addition to any other provision of law." §337 has concurrent jurisdiction with all other statutes applicable to unfair practices in import trade. In re Von Clemm, 229 F.2d 441 (C.C.P.A. 1955). The fact that patent issues were also in suit in District Court did not preclude exercise of §337 jurisdiction:

The statute here under consideration provides broadly for action by the Tariff Commission in cases involving "unfair methods of competition and unfair acts in the importation of articles." . . . the quoted language is broad and inclusive and should not be held to be limited to acts coming within the technical definition of unfair methods of competition as applied in some decisions"...and it is evident from the language used that Congress intended to allow wide discretion in determining what practices are to be regarded as unfair. 229 F.2d 441, 443-44. Predecessor of §337 was §316 of the Tariff Act of 1922:

> "We have in this measure an antidumping law with teeth in it--one which will reach all forms of unfair competiton in importation.

(Cont'd)

[redacted]

> This section (316) not only prohibits dumping in the ordinary accepted meaning of that word; that is, the sale of merchandise in the United States for less than its foreign market value or cost of production; but also bribery, espionage, misrepresentation of goods, full-line forcing, and other similar practices frequently more injurious to trade than price cutting. (62 Cong. Rec. 5879 (1922)).

The language about notifying the Secretary of Treasury does not limit jurisdiction. 337 (b) imposes procedural, not substantive, obligations upon the Commission and provides a statutory scheme for a possible overlap of jurisdiction with the Department of Treasury.

Subsequent to the Federal District Court finding that it did not have subject matter jurisdiction and that appellant lacked standing, the Commission found that it had jurisdiction even though certain allegations of the complaint included antidumping or countervailing duty violations.

CD at 5

TA-29 Steel Tubes CD

Commission stated that traditional notions of fair play would be offended if it were to dismiss repondents based on an inadequate record. Noting that personal jurisdiction may be based on causing an effect in the state by an act done outside the forum, Scriptomatic v. Agfa-Gevaert (1973-1 Trade Cases 74, 595 (S.D.N.Y. 1973), the Commission stated:

> The development of an effects test is entirely appropriate to the conduct of §337 investigations which are concerned with protecting the American marketplace from unfair acts and methods in international trade which are injurious to it.

CD at 10

Commission jurisdiction over foreign manufacturers was obtained in Steel Tubes by adopting the "stream of commerce" theory, even though respondents argued that "importation" means "bringing into the U.S.," and that since they were not literally bringing the offending articles into the U.S., they were not involved in importations.

CD at 10

In reaching its decision, the Commission noted that the expansion of its powers in 1974 to include cease and desist powers did not require the Commission to obtain personal jurisdiction over persons subject to such orders.

CD at 4

TA-59 Pump Top Containers RD

The Supreme Court held that in Shaffer v. Heitner, 433 U.S. 186 (1977), that the same test of "fair play and substantial justice" applies to in rem jurisdiction and in personam jurisdiction; thus, minimum contacts must be found between the forum and the owner of a property before a state court can adjudicate the interests of the person owning the property even though the property is located in the forum. "To the extent that §337 cases attempt to assert jurisdiciton over a person, through a cease and desist order, for example, the Shaffer rule would be applicable. In other words, the Commission has the power to exclude products from this country in a §337 proceeding, even if it does not obtain jurisdiction over the person owning the property. If the Commission wants to issue orders against the person or affect his property in any way other than excluding it from this country, the jurisdictional requirements of Shaffer v. Heitner must be met." Under the Shaffer rule, before a finding of jurisdiction can be made, there must be (1) adequate notice and (2) minimum contacts between respondents and the U.S. These requirements were met in Pump Top Containers.

RD Appendix at 1-3

405.3. Effect of Prior Adjudications

TA-1 Electronic Pianos CD

The considerations motivating the Commission in finding unfair methods of competition or unfair acts under §337 will of necessity at times be different from those which prompt a court to hold that the claims in issue in a patent have been infringed. The Commission adapts patent law to the specialized circumstances of foreign trade to effectuate the purposes of §337; unlike a court of law, the Commission has no mandate to enforce patent law and, indeed, would be exceeding its statutory authority if it attempted to do so. The decision of the court in the case at hand should therefore be viewed, not in terms of having some kind of imagined binding effect on the Commission nor in terms of an opinion which must in some way give credence in the Commission's finding, but rather in terms of what it actually is - an opinion relating to a given set of facts with which the Commission, given sufficient justification, may agree or disagree, whether in whole or in part.

CD at 26-27

(Statement of Commissioners Leonard and Minchew)

TA-18 Monolithic Catalytic Converters RD

If the patent were to be declared valid by the district court, it would not change the outcome of this matter, as now determined, since the settlement between the parties herein assumes the validity of the patent. On the other hand, should the district court determine that the patent is invalid, the Commission would have no basis to continue this patent-based investigation.

RD at 10

405.4 Defenses

In general

All legal and equitable defenses which may be raised in a patent infringement suit in a federal district court may be raised as defenses in a §337 investigation. 19 U.S.C. §1337(c).

The Commission is also required to consider the evolution of patent law doctrines, including defenses based upon antitrust and equitable principles, and the public policy of promoting "free competition" in the determinations of violations of the statute.

See Report of the Committee on Finance,, U.S. Senate, H.R. 10710, Trade Reform Act of 1974, Rep. No. 93-1298, Nov. 26, 1974, at 196.

See also Lear, Inc. v. Adkins, 395 U.S. 653 (1969).

405.41. Fraud

TA-22 Plastic Bags RD

The failure of the reissue applicant to provide a translation of one utility model when he did provide a translation for another does not constitute fraud on the Patent Office. Where the reissue applicant included one utility model in a mere list of foreign patents which he brought to the attention of the Patent Office, whereas he specifically referred in his application to another utility model of arguably equal relevance in his application, such acts do not constitute fraud on the Patent Office.

RD at 52

TA-37 Skateboards CD

Commissioner Alberger found that complainant's misrepresentation as to the actual state of the prior art was made in an atmosphere of gross negligence.

CD at 4

Commissioner Parker found no conduct "so reprehensible" as to justify refusing to enforce the patent. He looked to Norton v. Curtiss (483 F.2d 779, 796) as requiring actual fraudulent intent; also cited Pfizer, Inc. v. International Rectifier Corp., (583 F.2d 180, 186) and Xerox Corp. v. Dennison Mfg. Co. (322 F. Supp. 963, 968) as requiring that applicant's conduct contain elements of wrongfulness, willfulness, and bad faith.

CD at 5-6

[redacted]

405.41

TA-60 Crankpin Grinders CD

"While it is true that patent applicants have the duty of disclosing to the Patent and Trademark Office all information material to the examination of the application, the courts have held that a party asserting invalidity of a patent on the ground of fraud must prove that the applicant intentionally withheld relevant information and that the Patent and Trademark Office would not have authorized the patent's issuance if the information had been disclosed. *Corometrics Medical Systems Inc.* v. *Berkely Bio-Engineering, Inc.*, 193 U.S.P.Q. 467 (N.D. Cal.1977)."

CD at 13

Respondents argued that a failure to side attach a prior art in the application for the patent in suit constitutes fraud and inequitable conduct. The suit patent, however, did cite another patent as prior art, which term cited the absent prior art patent. While the Commission agreed with the respondents that it cannot be assumed that the patent examiner was aware of the alleged fraudulently uncited prior art patent merely because it was a reference in another patent cited as prior art, nevertheless, as considered by the administrative law judge, it is persuasive evidence that no fraud was intended by the complainant.

CD at 14

[redacted]

405.41

TA-60 Crankpin Grinders RD

Patent applicants have the duty of disclosing to the PTO all information material to the examination of the application. PTO Rule 56 (37 C.F.R. 1.56), as amended on February 4, 1975 (40 Fed. Reg. 5158). The PTO Rules provides that an "application shall be stricken from the files if it is established by clear and convincing evidence that any fraud was practiced or attempted on the office in connection with it or that there was any violation of the duty of disclosure through bad faith or gross negligence."

Since 1949, the rule has provided for the striking of applications in connection with which any fraud is practiced or attempted on the PTO, regardless of whether such fraud took place before the time the rule and its present form was in effect. (13 Fed. Reg. 9576, Mar. 1, 1949).

The courts have held that a party asserting invalidity of a patent on the ground of fraud must prove that the applicant intentionally withheld relevant information and that the PTO would not have authorized the patent's issuance if the information had been disclosed. *Corometrics Medical Systems, Inc.* v. *Berkely Bio-Engineering, Inc.,* 193 U.S.P.Q. 467 (N.D. Cal. 1977); *Wen Products, Inc.* v. *Portable Electric Tools, Inc.*, 367 F.2d 764 (7th Cir. 1966).

As stated in the *Corometrics* case, *supra* at 477, "the test for fraudulently withholding information about prior art does not apply unless the prior art is so indisputably and obviously relevant as to disclose actual knowledge that the subject of the patent was anticipated." *Also see Beckman Instruments, Inc,.* v. *Chemtronics, Inc.*, 428 F. 2d 555 (5th Cir. 1970).

RD at 32-33

TA-85 Slide Fastener Stringers Commission Opinion (on temporary relief)

Since a high standard of trust and honesty must prevail between applicants and the Patent Office, a patent is void and unenforceable where the applicant has acted inequitably by misrepresenting or omitting information before the Patent Office. Precision Instrument Mfg. Co. v. Automotive Maintenance Machine Co., 324 U.S. 806, 815-17, 65 USPQ 133, 138-39 (1945); In re Clark, 522 F.2d 623, 628, 187 USPQ 209 (CCPA 1975); Norton v. Curtiss, 433 F.2d 779, 792, 167 USPQ 532 (1970).

This conclusion is consistent with the case law which holds that any misrepresentation must be committed intentionally, rather than as a result of poor judgment, before it will be considered fraud on the Patent Office. Johnson & Johnson v. W. L. Gore and Associates, Inc., 436 F.Supp. 704, 731-32 (D. Del. 1977); See also Food Service Corp. v. Kent Feeds, 528 F.2d 756, 763, 188 USPQ 616 (7th Cir. 1976).

Opinion at 9

405.42. Release

[redacted]

405.43 Laches

TA-60 Crankpin Grinders RD

A suit for patent infringement may be barred by laches where there has been long delay in bringing the suit without a valid and sufficient excuse therefor. Gillons v. Shell Co. of California, 86 F.2d 600 (9th Cir. 1936), cert. denied, 302 U.S. 689 (1937).

RD at 34

As stated by the Commission in Reclosable Plastic Bags, supra:

> Laches is an equitable doctrine which asserts that long neglected rights cannot be enforced.... Laches signifies not only undue lapse of time in enforcing a right of action and failure to act promptly, but also that the adverse party has been led by neglect of the enforcing party to change his position as to the property or right in question.

RD at 34-35

405.43

TA-60 Crankpin Grinders CD

Respondent contends that complainant committed laches by bringing no infringement action against respondent until 1978, even though respondent sold a similar machine to Ford in 1970. This argument was without merit, however, in that the facts do not indicate that the passage of an undue length of time enforcing the right of action was accompanied also by the adverse party having been induced through neglect of the enforcing party to change its position as to the property or right in question. The most likely defendant in the 1970 infringement action would have been a bankrupt company which was an exclusive distributor of respondent's grinders product; the record also showed continued awareness and concern by respondent of possible infringement, as reflected in repeated opinions of counsel, on this issue.

CD 12-13

As in Reclosable Plastic Bags, Inv. No. 337-TA-22 (1977), the Commission preserved the flexibility of finding whether recharges of laches can have a prospective effect by allowing a determination of this issue on the merits of each case, bearing in mind that under §337 there is no requirement that the unfair act be discovered by a certain time.

CD 13

TA-67 Acceleration Tubes CD

Mere passage of time is insufficient to establish laches; whether delay is inexcusable must be determined by the particular facts of the case. Maloney-Crawford Tank Corp. v. Rocky Mountain Natural Gas Co., 494 F.2d 401 (10th Cir. 1974). Siemens A.G. v. Beltone Electronics Corp., 407 F. Supp. 807 (N.D. Ill. 1975) held that laches barred recovery of damages for past infringement, but that estoppel must be established to bar an injunction against future infringement. The principal additional element required to prove estoppel is detrimental reliance. In Siemens, defendant spent nearly $4 million on research and development in the intervening six years. 407 F. Supp. at 810. A section 337 exclusion order is more in the nature of an injunction against future infringement than an award of damages for past infringement. The burden of proof of establishing laches is on the infringer and failure to prove injury or damage to itself as a result of complainant's inaction is fatal to the defense. Shaffer v. Rector Well Equipment Co., 155 F.2d 344 (5th Cir. 1946) (mere expansion of business on the profits of infringement not a prejudicial change of conditions). In Montgomery Ward Co. v. Clair, 123 F.2d 878 (8 Cir. 1941), plaintiff was denied recovery for past infringement because he had actual knowledge for six years prior to filing suit and could be charged with knowledge ten years earlier, but was allowed to pursue an injunction. There was no proof of deceit or that the infringers altered their conduct to their prejudice on account of the delay.

CD at 14

BEST DOCUMENT AVAILABLE

405.44. Statute of Limitations

405.45. Intervening Rights

TA-72 Turning Machines RD

The concept of intervening rights developed from efforts by the courts to apply the principles of equity to harsh factual situations created by the patent law which permits reissue of a patent to obtain claims of a broader scope than the original patent. P.J. Federico, Intervening Rights in Patent Reissues, 30 Geo. Wash. L. Rev. 603 (1961-62) and cases discussed therein. Stemming from the well established patent law principle that what is not claimed is dedicated to the public, the doctrine of intervening rights applies equity to protect, at least to a reasonable extent, an accused infringer of reissue patent claims who establishes that the accused device did not infringe any claims in the original patent, and that it was made, used, or sold prior to application for the reissue. See Sontag Chain Stores Co. v. National Nut Co., 310 U.S. 281 (1940); Ashland Firebrick Co. v. General Refractories Co., 27 F.2d 744 (6th Cir. 1928).

RD at 142

[U]nder the statute, intervening rights protection as a matter of right extends only to the specific articles manufactured before the date of the reissue. Intervening rights after the reissue date may be extended in the court's discretion to additional articles manufactured after that date if the infringer can show "substantial preparation" for the manufacture, use, or sale of such articles before the grant of the reissue. Intervening rights after the reissue date may be extended in the court's discretion to additional articles manufactured after that date if the infringer can show "substantial preparation" for the manufacture, use, or sale of such articles before the grant of the reissue. See P.J. Federico, Commentary on the New Patent Act, 35 U.S.C., 45-47 (1954).

RD at 143

[redacted]

TA-72 Turning Machines RD

[T]he protection afforded by the statute provides that things in existence before the date of the reissue patent, the use or sale of which would infringe only the new or amended claims of the reissue, are free of the reissue and may be used or sold after the date of reissue without regard to the reissue patent. Federico, supra, at 632; Wayne-Gossard Corp. v. Moretz Hosiery Mills, Inc., 384 F. Supp. 63 (W.D.N.C. 1974), aff'd in relevant part, 539 F.2d 986 (E.D. Pa. 1977), aff'd sub. nom., Wayne-Gossard Corp. v. Sondra Manufacturing Co., 579 F.2d 41 (3rd Cir. 1978); Southern Saw Service, Inc. v. Pittsburgh-Erie Saw Corp., 239 F.2d 339 (5th Cir. 1956), cert. denied, 353 U.S. 964 (1957).

RD at 144

[T]he doctrine of intervening rights operates essentially as a license. Ashland Firebrick Co. v. General Refractories, 27 F.2d 744 (6th Cir. 1928). Thus, it would seem that respondents, as equitable licensees, should be allowed to repair the machines as would any other licensee, at least those machines manufactured prior to the reissue patent.

RD at 145

Complainant also insists that only respondents' activities in the United States should be considered in determining substantial preparation, based on the rule that our patent system can have no extraterritorial effect. Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 517, 518 (1972). However, this dicta should not be read to imply exclusion of all acts just because they do not occur within the United States. Indeed, 35 U.S.C. §104...specifically extends patent system protection to activities occuring outside of the United States when

(Cont'd.)

> performed by U.S. citizens in certain circumstances. A more reasonable reading of the Deepsouth dicta, at least for the purposes of adjudicating §337 cases, is that only those foreign activities involving preparation of the product for manufacture and sale in U.S. markets should be considered. Thus, money spent by respondents on manufacturing and promoting the L-series machine sales in other countries cannot properly be considered investment in the L-series for §337 purposes, since investigations under that statute, while often involving foreign parties, are concerned solely with products imported into the United States.

RD at 149

[redacted]

405.46. Equitable Estoppel

TA-22 Plastic Bags RD

Equitable estoppel is intended to bar relief in a patent infringement action where there is (a) infringement, (b) knowledge by the patent holder of the infringement, (c) conduct by the patent holder which misleads infringer into believing that the patent holder has acquiesced in infringement, and (d) reliance by the infringer in such action. *Minnesota Oyoing ' Mfg. Co., v. Berwick Industries, Inc*. 373 F. Supp. 869. It appears to be a more appropriate defense than laches in 337 proceedings, because it bars the patentee from enforcing his patent at all, rather than merely withholding past damages for infringement, as does laches. However, the more dramatic relief which estoppel provides carries with it a more stringent proof requirement: patentee must be actively deceptive rather than merely negligent. No such showing has been made here.

RD at 54

Alternatively, patentee can be barred under equitable estoppel from enforcing his patent where there is a threat of prompt and vigorous enforcement, followed by unexcused and unreasonable delay. *Continental Coatings Corp.* v. *Metco. Inc.* 464 F.2d 1375, 1380 (7th *Cir., 1972)*. The evidence demonstrates a threat in 1971 by Minigrip to enforce its patents, but in light of the oral agreement negotiated the following year prohibiting imports, and the subsequent institution of these proceedings, the requisite delay by Minigrip has clearly not occurred.

RD at 55

TA-37 Skateboards RD

Commissioner Alberger agreed with the RD that several claims of the patent be held unenforceable due to complainant's inequitable conduct in not disclosing the existence of the rocker board to the Patent Office. Complainant was aware of the rocker board at the time his application was filed and had himself manufactured rocker boards in the past.

RD at 13

TA-37 Skateboards CD

Because patent applications are processed by the Patent Office on an ex parte basis, and because of the exclusive rights granted to patentees, the courts have consistently held patent applicants to a high level of candor in dealing with the Patent Office. As the U.S Court of Customs and Patent Appeals has stated--

> The highest standards of honesty and candor on the part of applicants in presenting...facts to the (Patent Office) are....necessary elements in a working patent system. We would go so far as to say they are essential.

See Norton v. Curtiss, 433 F.2d 779, 794 (CCPA, 1970).

CD at 2

(Cont'd)

405.46

"Morever, a patent applicant's good faith and subjective intent in dealing with the Patent Office are not necessarily controlling. The CCPA stated that under ordinary circumstances, the *fact* of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent. Where public policy demands a complete and accurate disclosure it may suffice to show nothing more than that the misrepresentations were made in an atmosphere of gross negligence as to their truth." (*See* *Norton* v. *Curtiss*, 433 F.2d 795-6 (CCPA 1970)). While Alberger declined to infer fraudulent intent on complainant's part, he did find gross negligence.

(Opinion of Commissioner Alberger)

CD at 3-4

BEST DOCUMENT AVAILABLE

405.47. Unclean Hands

TA-22 Plastic Bags RD

The agreement under the terms of which Ades received commissions in connection with GSA orders was altered so that Ades received cuts in his commissions commensurate with the extent of his performance under the terms of the contract. The fact that his commission was reduced gradually and that one of Minigrip's officers thought he was being overpaid does not constitute a payoff in violation of the antitrust laws of the United States prohibiting horisontal marketing agreements in restraint of trade. Ades will not be heard to assert unclean hands concerning facts to which he was a party.

RD at 55

405.48 Patent Misuse

TA-60 Crankpin Grinders RD

It is well settled that attempts of a patentee to extend its legal monopoly beyond the term and claims of the patent, such as antitrust violations, may constitute patent misuse and render the patent unenforceable. Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488 (1941); Zenith Radio Corporation v. Hazeltine Research, Inc., 395 U.S. 100 (1969). However, there must be a direct connection or nexus between the activity of the patentee in the exercise of the patent, e.g., granting a license under the patent, and the acts of misconduct which improperly and wrongfully attempt to extend the patent monopoly. Republic Molding Corp. v. B.W. Photo Utilities, 319 F.2d 347 (9th Cir. 1963). In other words, the misuse must be of the patent in suit. Binks Manufacturing Company v. Ransburg Electro-Coating Corp., 281 F.2d 252 (7th Cir. 1960), cert. granted, 364 U.S. 926 (1960), writ denied, 366 U.S. 211 (1960). Alleged illegal conduct relating to patents not in suit or to patentee's exercise of rights thereunder, are not proper defenses to patent infringement. Carter-Wallace, Inc. v. United States, 449 F.2d 1374 (Ct. Cl. 1971) (licensing and sales activities under foreign patents in foreign countries, held not related to corresponding United States patent and, therefore, not properly raised as patent misuse defense to charge of infringement of United States patent).

RD at 38-39

405.48

TA-60 Crankpin Grinders RD

Respondent cites a number of antitrust cases, including *Timken Roller Bearing Co. v. United States*, 341 U.S. 593 (1951) and *United States v. National Lead Co.*, 63 F. Supp. 513 (S.D. N.Y. 1945), to support its argument that the territorial restrictions contained in complainant's foreign licensing agreements are *per se* or under the rule of reason test violation of the Sherman Antitrust Act, Sec. 1 (15 U.S.C. 1). Those cases, however, are inapposite to the present investigation on the facts, e.g, in those cases the comprehensive arguments were for the explicit purpose of eliminating competition, whereas here the limited patent and know-how licensing agreement restrictions appear reasonably ancillary to the legitimate purpose of technology transfer. *See* U.S. Dept. of Justice, Antitrust Guide for International Operations, *supra* at 3, 10-14, 28-36. In any event, proof of such substantial alleged antitrust violations must be sustained by more relevant evidence than that contained in the present record of this investigation.

RD at 41, n. 1

TA-60   Crankpin Grinders   RD

The doctrine of misuse rests upon the principle that the holder of an exclusive privilege granted in the furtherance of public policy may not claim protection of his grant by the courts where it is being used to subvert that policy. Sperry Products, Inc., et al v. Aluminum Company of America, et al., supra, citing Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 494 (1942). Here it is not shown that the patent in suit was used to subvert the public policy of the United States as expressed in the Constitution and patent laws.

RD at 42

A parent corporation may allocate territories or set prices for the subsidiaries that it fully controls. United States Department of Justice, "Antitrust Guide for International Operations," revised February 1, 1977 (Trade Reg. Rep. (CCH) No. 266).

RD at 43-44

A territorial or market division, however, is not illegal in itself since a patent, being a grant of rights from a sovereign state, is necessarily territorial in scope and the United States patentee may legally protect the United States market from sales by its foreign licensee. U.S. Department of Justice, "Antitrust Guide for International Operations," Trade Reg. Rep. (CCH) No. 266, Part II (Feb. 1, 1972), page 25; and see Western Electric Co., Inc. v. Milgo Electronics Corp., 450 F. Supp. 835, 838 (S.D. Fla. 1978); Griffin v. Keystone Mushroom Farm, Inc., 453 F. Supp. 1283, 199 U.S.P.Q. 428 (E.D. Pa. 1978).

RD at 44-45

405.48

TA-60 Crankpin Grinders CD

Respondent contended that the suit patent was unenforceable by reason of complainant's misuse by illegally extending the scope of the monopoly granted under the patent through agreements with its foreign licensees. The record, however, did not establish any substantial antitrust violation or essential nexus between the suit patent and the complainant license agreement.

CD at 14

Respondents contend that the suit patent was enforceable by reason of complainant's misuse of the patent by illegally extending the scope of the monopoly granted under the patent. Respondents' claim that this patent misuse, resulting in complainant's dominant position (85%) in the domestic crankpin market had been unlawfully accomplished by: (1) prohibiting licensee from licensing their own technology; (2) extracting royalties on the sale of unpatented articles; (3) engaging in territorial allocations of the market; (4) engaging in "full-line forcing"; and (5) enforcing an invalid patent. The Administrative Law Judge did not find patent misuse because the evidence did not sustain a finding of the essential nexus between the suit patent and complainant's licensing agreements with its three licensees.

CD at 37-45

405.5 Parties

In general

The Commission has set forth criteria which may determine who is a proper party in a §337 investigation. These are:

(1) the complainant;

(2) the Investigative Staff Attorney;

(3) Respondents who can be
  (a) named in the complaint
  (b) added by the ITC upon suggestion of the Staff prior to initiation of an investigation, or
  (c) added as a result of a motion by one of the parties during an investigation (Chicory Root, 337-TA-27);

(4) Intervenors (Above Ground Swimming Pools, 337-TA-25); and

(5) Persons who are placed on notice of the investigations due to their interest in the proceeding. (Panty Hose, T.C. Pub. 471).

The complainant can be the patent owner who has no production facilities but who licenses firms which are engaged in domestic production; a licensee or a sublicensee may also be a complainant. (Plastic Bags, 337-TA-22). An exclusive licensee can apparently be a complainant without the need for the patent owner to join as a party complainant. (Above Ground Swimming Pools, 337-TA-25 at 2-3).

TA-23 Color TV Sets CD

Commission granted one respondent's motion to terminate its status as party to the investigation upon showing that it had not been involved in the importation of t.v. receivers into the U.S., or in their sale, for over five years. Another respondent's motion to terminate party status was denied. The Commission stated that the party had not shown that its involvement in the importation or sale of color t.v. receivers in the U.S. is so speculative as to warrant terminating the investigation as to it.

CD at 15-16

TA-25 Above Ground Swimming Pools RD

Complainant and the Investigative Staff litigated and argued this investigation as if persons not named in the Notice of Investigation were nevertheless respondents whose actions allegedly violated §337. It is the opinion of the Presiding Officer that the scope of this investigation is governed by §210.12 of the Commission Rules, and therefore that only persons named Respondents were properly alleged to have engaged in the policy of predatory pricing.

RD at 61-62

TA-29 Steel Tubes CD

Certain parties named as respondents in the Notice of Investigation were dismissed as parties because it was found that they did not import the subject articles. Respondents who are not presently importing infringing products or who have not been effectively served are not proper respondents.

CD at 1-2

TA-29 Steel Tubes RD

Respondent's subsequent request that it be granted amicus status so it could file a brief after the hearing was granted by the ALJ.

RD at 7

TA-35 Golf Balls CD

The Commission followed the RD of the ALJ that certain respondents should be dismissed either because they were not presently importing infringing products or were not efficiently served, finding that, in either case, they were not proper respondents.

CD at 6

TA-42 Electric Slow Cookers RD

Complainant filed an unopposed motion to remove one of the respondents based on the mistaken inclusion of the party initially. Complainant's uncontroverted assertion that no accused goods are manufactured for or imported into or sold in the U.S. by this respondent convinced the ALJ to find no unfair methods of competition or unfair act performed by respondents, and to recommend that the Commission terminate such respondent forthwith from the investigation.

RD at 3

(Cont'd.)

The ALJ also recommended termination of certain other respondents based on:

1. a settlement agreement calling for assignment of any infringing trademarks, or applications for trademark registration or infringing patents to complainant as well as an agreement not to export to the U.S. except to a complainant licensee;

2. a licensing agreement, granting respondent a non-exclusive license with an established royalty schedule; and

3. a stipulation, reciting the agreement between complainant and moving respondents, acknowledging the ownership and validity of the suit patent and infringement of the patent by the accused products.

RD at 3

TA-50 Synthetic Gemstones CD

The Commission, in accordance with the recommendation of the ALJ, amended the complaint to add Cathay as a party respondent because:

> the supporting papers indicate that Cathay is actively engaged in the subject industry. Moreoever, Paul S. Rogell, one of the other party respondents, is also currently employed as President of Cathay Corporation. Further, the record indicates that Cathay now is actively handling the gemestones of the type described in complainant's U.S. Letters Patent.

CD at 3

(Cont'd.)

405.5

The Commission also decided to terminate two named respondents as a part opponents, stating:

> Regarding the termination of [two respondents] it is noted that Complainant's motion is unopposed. Moreover, letters have been received from these foreign respondents indicating that they have no connection at all with the synthetic gemstones covered by complainant's patent. Finally, there are assurances in the record to indicate that domestic respondents do not import from these two concerns, nor are domestic respondents aware that these two concerns export to the U.S. any of the above synthetic gemstones.

CD at 3

[redacted]

406. Amendments to Claims

TA-26 Solder Removal Wicks RD

It is well settled that it is the "claims, not the specifications, that afford the measure of the grant to the patentee." Milcon v. George A. Fuller Co., 316 U.S. 143, 145, 62 S. Ct. 969, 86 L.Ed, 1332 (1942)."

RD at 42

The law, 35 U.S.C. §132 requires that "[n]o amendment shall introduce new matter into the disclosure of the invention."

The Patent Office Rules of Practice make it clear that amendments may not add material not conforming to the application as originally filed:

> "118. Amendment of disclosure. In original application, all amendments to the drawings or specifications, and all additions thereto, must conform to at least one of them as it was at the time of the filing of the applications. Matter not found in either, involving a departure from or an addition to the original disclosure, cannot be added to the application even though supported by a supplemental oath, and can be shown or claimed only in a separate application."

In other words, the patentee may not, under the guise of amending his application, introduce new claims which are not supported by the original claim or the specifications or drawings as originally filed. Amendments to further explain or claim what is disclosed in the application are permissible. Moreover, a Patent Office finding that revisions in claims are not new matter should be given special weight because of the expertise of the Office and because of the familiarity of the examiner with the product or the process in question. Dart Industries, Inc. v. E.I. DuPont & Co., 348 F. Supp. 1338 (D.C. Ill. 1972), reversed on other grounds, 489 F.2d 1359, cert. denied, 94 S. Ct. 2645, 417 U.S. 933, 41 L.Ed 2d 236.

(Cont'd)

This is particularly true in the instant case because Hood merely limited the scope of his claims to a narrower subject matter within the broad teaching of the original claims as filed, which show that the claims as allowed merely narrow the scope of the original claims. Aerosal Research Co. v. Scovill Manufacturing Co., 334 F.2d 751, 756 (N.D. Ill. 1964).

RD at 43

TA-26 Solder Removal Wicks RD

Rule 67 (37 CFR 1.67), Supplemental oath or declaration for matter not originally claimed. (a) When an applicant presents a claim for matter originally shown or described but not substantially embraced in the statement of invention or claim originally presented, he shall file a supplemental oath or declaration to the effect that the subject matter of the proposed amendment was part of his invention.

RD at 44, n.1

407. Accumulation of Patents

TA-22 Reclosable Plastic Bags CD

Well-settled law that the mere accumulation of patents, no matter how many, is not in and of itself illegal (Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc., 339 U.S. 837, 844 (1950)).

CD at 11

TA-39 Luggage CD

The law is clear that there can be no double patenting among a group of patents that issued on the same day unless each of the patents claim identical subject matter. See for example, Application of Vogel, 422 F.2d 438 (CCPA, 1970); and Application of Geiger, 425 F.2d 1276 (CCPA, 1970).

CD at 8

408. Confusion

TA-31 Steel Toy Vehicles RD

In a proceeding where the relief to be granted is equitable or injunctive - as is the case under §337 - rather than damages, it is sufficient to show a likelihood of confusion rather than actual confusion. Skil Corp. v. Rockwell Intern. Corp., 375 F. Supp 777 (D.C. Ill. 1974); Ames Publishing Co. v. Walker-Dowes Publications, Inc., 372 F. Supp 1 (D.C. Pa. 1974).

RD at 46

The best statment of the test for confusion is found in Harold R. Ritchie, Inc. v. Cheeseborough-Pond's Inc., 281 F.2d 755, 762 (2d Cir. 1960):

> While a side-by-side comparison of the trademarks, tubes, and cartons would enable an attentive observer to differentiate them, this is not the test to be applied. It is the general overall impression which counts; we find nobody of opinion in this circuit or elsewhere to the contrary.

RD at 47

Despite the inconclusiveness of the survey data, the Presiding Officer might determine a likelihood of confusion from his own inspection of the vehicles. (Beef/Eater Restaurants v. James Burrough, LTD, 398 F.2d 637 (5th Cir. 1968). In this case, the ALJ found side by side photographs to be important in assessing the issue of likelihood of confusion.

RD at 47

(Cont'd)

Thus, the Tonka and Buddy-L trucks are sold in packages that prominently and legibly display their respective names and logos which appear prominently in several locations on each of the toy trucks themselves. Moreover, such labelling has been held by the courts to preclude the likelihood of confusion even when, as opposed to the present situation, the products themselves are identical or nearly identical. (See The American Rolex Watch Corp. v. Ricoh Time Corp., 491 F.2d 877 (2d Cir. 1974); Bose Corp. v. Linear Design Labs, Inc., 467 F.2d 304 (2d Cir. 1972). As stated in Remco Industries Inc, v. Toyomenka Inc., 286 F. Supp 948 (D.C.S.D.N.Y. 1968) aff'd 397 F.2d 977 (2 Cir. 1968) also involving toy vehicles:

> Here the defendants have labelled their product, and in no way simulated the plaintiff's label or packaging. In these circumstances there is not support for the plaintiff's claim of "palming off."

CD at 31

TA-39 Luggage RD

The ALJ concluded imported luggage did infringe the design patent, based on his own observation of relevant exhibits and upon evidence that confusion has arisen among purchasers of the imported bags. (See RD at 23 for actual evidence of confusion.)

RD at 66

TA-39 Luggage CD

Confusion is relevant to the issue of infringement because it indicates that ordinary observers may have found the designs to be substantially the same.

CD at 9

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TA-55 Novelty Glasses CD

The third element necessary to show unlawful copying of trade dress is the likelihood of consumer confusion regarding the source of a product. The test generally used is whether a reasonable consumer under ordinary circumstances would be likely to be confused as to the sources of the products. McLean v. Flemming, 96 U.S. 245 (1877). See also, Jean Patou, Inc. v. Jacqueline Cochran, Inc., 201 F.Supp. 861 (D.C.N.Y.), aff'd in 312 F.2d 125 (2d Cir. 1962).

The Commission concluded that the glasses from both sources were nearly identical in their nonfunctional design aspects, and that the effect viewing the two products, even when side by side, is to create a general impression that the products are identical. Thus, it was found that a reasonable consumer under ordinary circumstances would be confused as to the source of the two products.

CD at 11

409. Grant-Back Provision

TA-22 Reclosable Plastic Bags CD

In Transparent-Wrap Machine Corp. v. Stokes & Smith Co., (329 U.S. 637, 648 (1947)) the Supreme Court stated that a grant-back, i.e., a covenant in a patent license that requires the licensee to assign improvement patents to the licensor is not "illegal per se and unenforceable." This rule has been applied where there is no evidence that the grant-back provision constitutes an undue restraint or exerts an adverse effect on trade or commerce. Therefore, grant-back provisions are legal even when they cause the licensee to give up complete rights to his improvement invention to his licensor.

CD at 11

410. Division of Markets

TA-22 Reclosable Plastic Bags CD

It is well-settled law that the division of markets through the "field of use" limitation is perfectly acceptable. A patent owner may limit an assignment or license on lines drawn according to the field of use.

CD at 10

TA-22 Reclosable Plastic Bags RD

Here, the restricting clause of the sublicensing agreement resulted in market division into "industrial" and "retail" submarkets, a permissible field of use limitation under applicable antitrust law. See General Talking Pictures Corp. v. Western Electric Co., 305 U.S. 124, 127 (1938); Armstrong v. Motorola, 374 F.2d 764, 774 (7th Cir. 1967). "There are no territorial restrictions on the market by Minigrip in the nature of exclusive distributorships which might render the patent unenforceable."

RD at 56

TA-43 Trash Pumps RD

"On balance, the record is persuasive that heavy duty trash pumps and lightweight trash pumps, not unlike Cadillacs and Chevrolets, do compete in the same domestic market. See Putnam, Tr. 1134; Commission Staff Brief, p. 45; CX 47, p. 28 CX 47A, p.37. Even conceding the existence of a submarket would not preclude a finding of an overall market consisting of all products making up the submarkets. U.S. v. Phillipsburg National Bank, 399 U.S. 350 (1970); Litton Industries, Inc., 82 F.T.C. 793, 996 (1973)".

RD at 58

411. Patent Exhaustion

TA-22 Reclosable Plastic Bags CD

The law of domestic patent exhaustion holds that the first sale of a patented product "exhausts" the patent control by the patentee (Adams v. Burke, 17 Wall 453 (1883)). Therefore, the patent confers no right upon the patentee to attempt to control the destiny of a product after it has been sold. Keeler v. Standard Folding Bed Co., 157 U.S. 659 (1895).

CD at 9

412. Plain Meaning of Claim

TA-25 Above Ground Swimming Pools CD

In patent law the claims define the invention and are the sole measure of the grant to the patentee. (Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1960), reh. denied 365 U.S. 890)). A court cannot enlarge a patent beyond the scope of its claims as allowed by the Patent and Trademark Office (Keystone Bridge Co., v. Phoenix Iron Co., 95 U.S. 274 (1877)) What is not claimed cannot be held to have been patented (Weber Electric Co., v. E.H. Dreeman Electric Co., 256 U.S. 668 (1921)). Since the patentees chose the exact words in the claims it is assumed that they chose their words carefully to cover the exact dimensions of their invention, and therefore the scope of the claims should not be enlarged beyond the plain import of their terms (Mackay Radio & Telegraph Co., v. Radio Corp. of America, 306 U.S. 86 (1939)) or the fair interpretation of the language employed. (Haines v. McLaughlin, 135 U.S. 685 (1890)).

CD at 7

"It is well known in patent law that each word in the claim must be given its proper meaning and no word in a claim can be ignored."

CD at 8

TA-37 Skateboards RD

It is a well established rule of patent construction that a broad claim will not be construed to contain limitations expressed in the more narrow claims. Smith v. Snow, 294 U.S. 1 (1935); Hansen v. Collier, 282 F.2d 66 (9th Cir. 1960).

RD at 45

TA-43 Trash Pumps RD

"It is noteworthy that the original patent application contained only 10 claims, which in the course of some three official actions by the Patent Office were increased to 20 claims, with a number of these being rejected and rewritten in light of the prior art considered by the Patent Examiner." The claims history was found to be important in determining the scope of the claims in issue.

RD at 34

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TA-56 Thermometer Sheath Pkgs. CD

While it is proper to refer to the specifications, drawings, and file wrapper to determine the meaning of claims, General Electric Co. v. United States, 572 F.2d 445, 751, 757 (Ct. Cl. 1978).; CMI Corp v. Metropolitan Enterprises, Inc., 534 F.2d 874, 881 (10th Cir. 1976); Autogiro Co. of America v. United States, 384 F.2d 391, 397 (Ct. Cl. 1967), it is also true that the claims--not the other elements--define the invention. Smith v. Snow, 294 U.S. 1, 11 (1935) (cited in Coleco Industries v. United States International Trade Commission, 573 F.2d 1247, 1253 (C.C.P.A. 1978). Although there is merit in the ALJ's conclusion, we believe the claims must not be read as he suggests.

Identifying an "essence" of an invention--in this case, sterility--cannot substitute for close adherence to the claims when determining their meaning. Aro Mfg. Co. v. Convertible Top Co., 365 U.S. 336, 345 (1962). The plain meaning of claims language is entitled to a strong presumption that it correctly expresses the scope of the claim. Paeco, Inc, v. Applied Moldings,Inc., 561 F.2d 870, 874 (3d. Cir. 1977); Maclaren v. B-i-w Group, Inc., 535 F.2d 1367, 1373 (2d Cir. 1976); Bontrager v. Steury Corp., 457 F. Supp. 526, 536 (N.D. Ind. 1978).

CD at 13

"While all dependent claims inherently reflect some measure of redundancy, it is logical to assume that the patentee would not have felt it necessary to repeat identical claims. It is fundamentally improper to read limitations found only in narrow claims into broader ones, Oldroyd v. Morgan, 57 F.2d 358, 360 (C.C.P.A. 1932)."

CD at 15

(Cont'd)

Infringement is not avoided merely because an accused product has somewhat different objectives than the patented invention--again, the claim language is determinative. Mills Novelty Co. v. Monarch Tool & Mfg. Co., 76 F.2d 653, 654-55 (6th Cir. 1935).

CD at 25

Compare Chairman Parker's dissent:

> Where the field is crowded with prior art, the claims must be narrowly construed. Fletcher v. United States 478 F.2d 1380 (Ct. Cl. 1973); Quickey Manufacturing Co. v. City Products Corp. 409 F.2d 876 (6th Cir. 1969). Moreover, claims should be interpreted narrowly where necessary to avoid invalidity. Parker v. Motorola, Inc., 524 F.2d 518 (5th Cir. 1975), cert. denied 425 U.S. 975 (1976).
>
> It is well settled that claims cannot be narrowly construed for the purpose of determining validity, yet be broadly construed to find infringemnt. Fletcher v. United States, supra; Tate Engineering, Inc. v. United States 474 F.2d 1336 (Ct. Cl. 1973); International Glass Co. v. United States, 408 F.2d 395 (Ct. Cl. 1969); Penn Yan Boats, Inc. v. Sea Lark Boats, Inc., 359 F. Supp. 948 (S.D. Fla. 1972).

Dissent at 3-5

As the question is one of construction of the claim it is immaterial whether the examiner was right or wrong in rejecting the claim as filed or what the purpose or intent of the disclaimer was. Exhibit Supply Co. v. Ace Patents Corp., 315 U.S. 126, 52 USPQ 275 (1942); Borg-Warner Corp. v. Paragon Gear Works, Inc., 355 F.2d 400 (1st Cir. 1965), cert. dismissed, 384 U.S. 395 (1966); Capri Jewelry, Inc. v. Hattie Carnegie Jewelry, Ltd., 539 F.2d 846 (2d Cir. 1976).

Claims must be read in their entirety and in context. E.I. duPont de Nemours & Co. v. Berkley & Co., 205 USPQ 1 (8th Cir. 1980).

RD at 129-30

413. Presumption of Validity

TA-26 Solder Removal Wicks RD

There is a statutory presumption of validity which attaches to patents issued by the U.S. Patent and Trademark Office by 35 U.S.C. §282. Such presumption does not attach when the most pertinent prior art was neither presented to nor considered by the Patent Office.

RD at 40

On appeal, the CCPA affirmed the CD, stating:

> The presumption of validity remains in existence until rebutted, and the burden of persuasion is upon those asserting invalidity. The burden of persuasion may be more easily carried by evidence consisting of prior art more pertinent than any considered by the Patented Office examiner. Solder Removal Co. v. U.S. International Trade Commission, 199 U.S.P.Q. 129, 132-133 (C.C.P.A. 1978).

TA-30 Photocubes CD

A patent is presumed to be valid (35 U.S.C. 282) and respondents have the burden of proving invalidity or unenforceability.

CD at 4-5

The Commissioners found that the imported devices were identical to the reference patent previously held not to invalidate the complainant's patent and, therefore, did not invalidate the patent.

CD at 9-10

"A strong statutory presumption of validity attaches to a patent lawfully issued by the Patent Office, and the burden of establishing invalidity rests on the party asserting it. 35 U.S.C. §282; Blonder-Tongue, Inc., v. University of Illinois Foundation, 402 U.S. 313, 335 (1971); Mobil Oil Corp. v. W.R. Grace & Company, 367 F. Supp. 207 (D.C. Conn. 1973). The presumption is not conclusive and may be rebutted by a preponderance of the evidence, with reasonable doubts resolved in favor of the patent holder. Rains v. Ninqua, Inc., 406 F.2d 275 (C.A.N.Y. 1960), cert. denied, 395 U.S. 909; Smith v. Snow, 204 U.S. 1 (1935); Jack Winter, Inc. v. Koratron Company, Inc., 375 F. Supp. 1, 29-31 (D.C. Cal. 1974), suppl'd 409 F. Supp. 1019 (D.C. Cal. 1976). But see Ingersoll-Rand Co. v. Brunner & Lay, Inc., 474 F.2d 491, 496 (5th Cir., 1973), reh. denied, 474 F.2d 1347, cert. denied, 414 U.S. 865)".

RD at 22

"Clearly, the presumption of validity of a patent does not exist as against evidence of prior art not before the Patent Office (Henry Mfg. Co. Inc., v. Commercial Filters Corp., 350 F. Supp. 1015, aff'd 489 F.2d 1008 (D.C. Inc. 1972)), particularly where the Patent Office considered no other prior art as close to the patented invention as that suggested to the court. Ingersoll-Rand Co. v. Brunner & Lay, Inc., supra at 496. In such circumstances, the degree to which the presumption of validity is weakened or rebutted depends on a balancing of the pertinence of the newly cited art against the pertinence of the art actually considered by the Patent Office. Aluminum Co. of America v. Amerola Product Corp., 552 F.2d 1020 (C.A. Pa. 1977): Schnadig Corp. v. Gaines Mfg. Co., Inc., 494 F.2d 383, 390 (6th Cir. 1974). "

RD at 23

[redacted]

TA-39 Luggage RD

Respondent's attempt to rebut the presumption of validity of the patent on the ground that a prior adjudication in the Northern District of Illinois did not establish the patent as unquestionably valid (since just a consent decree of validity is not res judicata in a later proceeding) was rejected. The ALJ pointed out that this circumscribed legal effect of a prior adjudication, while correct, did not rebut the presumption of validity.

RD at 36

TA-43 Trash Pumps CD

"In order to rebut the presumption of validity which attaches to the '388 patent, respondents would have to prove that the Hale centrifugal trash pump lacks an element required for patentability such as novelty, utility, or nonobviousness (35 U.S.C. 101, 102, and 103). Respondents did not seek to establish invalidity of the '388 patent over the prior art. On the contrary, respondents' position on the validity question during the course of this investigation has been that the '388 patent is valid so long as it is given its proper and narrow construction in light of the prosecution history, drawings, and specifications. Only if the language of claims 1 and 17 are construed so broadly as to cover respondents' accused pumps do respondents argue that the '388 patent becomes invalid over the prior art." The Commission agreed with this position.

CD at 10-11

TA-44 Roller Units CD

No party or other interested person asserted that the patent was invalid; further, ownership and validity of complainant's patent were established by stipulation of complainant and the Commission investigative attorney and by the production of a properly authenticated copy of the patent showing issuance. Thus, the Commission adopted the ALJ's finding of patent validity.

CD at 8

TA-48 Pressure Pads RD

Complainant moved to terminate based on discovery of a previously unknown German patent. The ALJ concluded:

> The discovery of the German patent removes the statutory presumption of validity under 35 U.S.C. 282, as relevant prior art was not in front . of the examiner. See, e.g.Henry Mfg. Co. Inc., v. Commercial Filters Corp., 350 F. Supp. 1015, aff'd 489 F.2d 1008 (S.D. Ind..1972).

RD at 2

TA-50 Synthetic Gemstones CD

The Commission found the ALJ's conclusions with respect to alleged patent invalidity erroneous as a matter of law:

> The Presiding Officer was of the view that if the independent claims of a patent are demonstrated to be invalid, then the

(Cont'd)

remaining dependent claims of a patent are necessarily invalid (Recommended Order of September 6, 1978, page 8). Accordingly, the Presiding Officer, in demonstrating the alleged invalidiity of Complainant's '731 patent, found the only independent claims of Complainant's '731 patent (Claim 1) to be invalid, and stated "...consequently all of the remaining 10 claims (Claims 2-11 of Complainant's '731 patent) fall if claim 1 is invalid" (Recommended Order of September 6, 1978, page 8). This premise is erroneous as a matter of law.

United States patent laws provide that a patent is presumed to be valid (35 U.S.C. 282). Furthermore--

> Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim (35 U.S.C. 282).

With this statutory basis in mind, it is evident that the Presiding Officer erred as a matter of law with respect to the alleged invalidity of the ten dependent claims of Complainants' '731 patent (Claims 2-11) by not according each claim of the '731 patent, independent or dependent, the requisite statutory presumption of validity.

CD at 9

TA-54 Multicellular Plastic Film CD

Patents are presumed valid, and the burden of establishing invalidity rests upon those asserting it. To carry their burden of proof, respondents must prove that complainant's product is either expressly or inherently disclosed in the patent. Clearly, the product was not expressly disclosed. The Commission, disagreeing with the ALJ's finding, also found that the product was not inherently disclosed:

> The case law clearly holds that the question of whether or not something is inherently disclosed by a prior art reference must be decided on the basis of expert testimony. *Interchemical Corp*. v. v. *Watson*, 251 F.2d 390, 391 (D.C. Cir. 1958): *Chemithon Corp.* v. . *Proctor and Gamble Co.*, 287 F. Supp. 291, 304 (D. Md. 1968), aff'd 427 F.2d 893 (4th Cir. 1970), *cert denied* 400 U.S. 925 (1970). There is no expert testimony of record in this case to the effect that complainant's patented process is inherently disclosed in the Bingham patent.

CD at 13

TA-56 Thermometer Sheath Pkgs. CD

The Commission believed that the ALJ interpreted the language of the claims too narrowly and failed to give sufficient weight: first, to the presumption of validity statutorily accorded regulary-issued patents; and second, to consideration of secondary indicia of nonobviousness. "In a close case such as this one, these factors tip the scale for us in favor of validity and infringement."

CD a

"A regularly issued patent, however, is accorded a statutory presumption of validity, 35 U.S.C. 282 (1976), which can be overcome only by clear and convincing evidence." This appears to be the majority--but not unanimous--rule of the courts which have addressed the issue. See, e.g., Paeco, Inc. v. Applied Moldings, Inc., 562 F.2d 870 (3d Cir. 1977); Trio Process Corp. v. L. Goldstein's Sons, Inc., 461 F.2d 66, 70 (3d Cir. 1972) cert. denied, 409 U.S. 997 (1972); Moon v. Cabot Shops, Inc., 270 F.2d 539, 541 (9th Cir. 1959), cert. denied 361 U.S. 965 (1960); Micro-Probe, Inc. v. Wentworth Laboratories, Inc., 431 F. Supp. 238 (C.D. Cal. 1977); Scaramucci v. Dresser Industries, Inc., 427 F.2d 1309, 1313-14 (10th Cir. 1970). But cf. Eltra Corp v. Basis Inc., C.A. No. 77-3369, (6th Cir. May 21, 1979); Parker v. Motorola, Inc., 524 F.2d 518 (5th Cir. 1973) (proof greater than mere preponderance). Our court of review, the Court of Customs and Patent Appeals, has not spoken on the "clear and convincing" standard, but pointed out in Solder Removal Co. v. United Stated International Trade Commission, supra, at 532, that "whether rebuttal (of the presumption) is achieved requires careful consideration of whether the prior art relied upon does in truth render the claimed invention anticipated or obvious."

CD at 17

TA-60 Crankpin Grinders RD

Under 35 U.S.C. 282, a patent must be presumed valid unless the contrary can be proved by clear and convincing evidence. *See* *Universal Athletic Sales Company* v. *American Gym*, *et al.*, 546 F.2d 530, 540 (3d Cir. 1976).

RD at 11

TA-62 Rotary Scraping Tools CD

In Motion 62-5 (filed June 22, 1979), it was stated in part by the complainant and the Commission investigative attorney as follows:

> Neither the complainant nor the Commission investigative attorney is aware of any prior art which has been found which is more pertinent than that considered by the patent examiner in the course of the prosecution of the application for the '294 patent. As a consequence, the statutory presumption of validity to which every United States patent is entitled is not only unimpaired but strengthened.

In the absence of any clear and convincing evidence submitted to controvert the validity of the patent, the Commission agreed with the ALJ that the statutory presumption of validity must prevail. (35 U.S.C. 282).

CD at 9

TA-72 Turning Machines RD

The presumption of validity of the reissue patent under 35 U.S.C. 282 extends to a presumption that the inventor named is the true and sole inventor. Huck Mfg. Co. v. Textron, Inc., 187 USPQ 388 (E.D. Minn. 1975). The logic of this presumption lies essentially in the oath of inventorship given by the inventor as part of his patent application.

Being a technical defense, attacks on inventorship are regarded with disfavor by the courts and require clear and convincing proof to be sustained. Dow Corning Corp. v. Surgeitek, Inc. 378 F. Supp. 1128 (E.D. Wisc. 1974); Baker Mfg. Co. v. Whitewater Mfg. Co., 198 F. Supp. 1389 (E.D. Wisc. 1969), rev'd on other grounds, 430 F.2d 1008 (7th Cir. 1970).

RD at 107

Although the respondents cite 22 patents as prior art to the '103 patent, they rely principally upon the two patents most similar to the '103 patent: the Mostertz patent . . . and the Kruse patent . . . . Since the patent examiner considered these patents before issuing the '103 patent, the statutory presumption of patent validity is strengthened. *Skil Corp. v. Cutler-Hammer*, [illegible]2 F.2d 821, 824, 162 USPQ 132 (7th Cir. 1969[illegible] *cf.*, *Ellicot Machine Corp. v. United States*, 405 F.2d 1385, 1392, 186 Ct. Cl. 655 (1969).

Opinion at 5-6

Even a false statement does not destroy the presumption of validity of a patent unless the statement was "essentially material" to its issuance. *Edward Valves, Inc. v. Cameron Iron Works, Inc.*, 286 F.2d 933, 947 (5th Cir. 1951), *mod. on other grounds and reh. den.*, 368 U.S. 833 (1962).

Opinion at 10

414. Reissue Patents

TA-48 Pressure Pads RD

Filing for reissue under 35 U.S.C. 251 places the fate of the '173 patent back in the hands of the PTO. The application will be published in the Official Gazette that gives the public an opportunity to make their views on the re-issue application known under 37 C.F.R. 1.291(a).

RD at 3

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